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CHILE

DEL VALLE VIEWS TALKS ON INVESTMENT PROTECTION WITH FRG

Santiago EL MERCURIO in Spanish 16 Jul 86 pp C1, C6

[Text] Minister of Foreign Relations Jaime del Valle reported that negotiations are progressing with the Federal Republic of Germany to enter into an agreement for the protection and promotion of investments. He indicated that a bilateral treaty to avoid double taxation is also under study.

The foreign minister covered these topics during a breakfast meeting he held yesterday morning at the Hotel Sheraton with the members of the Chilean-German Chamber of Commerce.

In his address, Del Valle paid special attention to the work that ProChile is doing through its foreign network and the embassies to promote our exports and attract foreign investment to the country.

He said that although trade between Germany and Chile has been on the decline in recent years, falling from \$906 million in 1980 to \$579 million in 1985, in the future this trend is expected to turn around. He added that the figures for the first quarter indicate an upsurge of 6.4 percent in overall bilateral trade, compared to the same period in 1985.

At the end of his speech, the foreign minister was asked by one of the businessmen if foreign investment is secure in Chile under the present circumstances.

The foreign minister responded that if Chile is capable of overcoming the adversities posed by nature, of enduring an intensive and malicious international campaign against it, and of dealing with the effects of a group of politicians running around the world maligning their government, then it should be considered capable of growing and moving ahead.

He noted that when an investment is made in a foreign country, the economic and political risks are always weighed. As for economic risks, he said, businessmen must act on the basis of their experience.

Nevertheless, he indicated that the economic program Chile is pursuing has attained positive results which are recognized as efficient and effective not only in a few European countries, but also in neighboring countries.

"The best proof of that is the fact that Chile, a small and modest country, is emerging from the crisis faster and more confidently than almost any other American nation. This leads to the conclusion that this regime or another one will retain the major features, even though some political figures deny that in their demagogic assertions," he stated.

In addition, he warned that "Chile's regime or political system may appear relatively unstable to people who do not live here, and I think the government's adversaries want just that. They want to give the impression that there is chaos here, and that is why every time a prominent visitor comes here, someone who will be able to report back and be believed, they organize a whole theater production to show the world that this country is in chaos."

Then the foreign minister emphasized that what happened in Santiago on 2 and 3 July is not a reflection of what is occurring in Chile: "This is the country, the country that woke up today or yesterday or tomorrow, even though we may suffer the political aftermath of what happened on 2 and 3 July. But this is Chile, the country that is planting seeds, that is producing industrial goods, that is working in the mines, that is achieving economic progress every day. It is a country that is capable of moving ahead in the face of a catastrophe provoked by the latest storm, and I think very few countries in the Americas would have been able to emerge unscathed from this."

Regarding the latter point, Del Valle stated that it is clear that the government will be criticized for a lack of foresight, for not having built the necessary bridges, roads, tunnels and dams. "I don't know whether the other governments did so in their time; I don't remember. Nor does the opposition say anything about how this government rebuilt after all the destruction, what it did after last year's earthquake," he said.

With respect to the investment protection and promotion agreement with FRG, Del Valle said that it is hoped the pact will stimulate investment in Chile by that country, "through direct protection for German investors and the expedient of allowing two German foreign investment and insurance institutions to operate."

He observed, however, that during the negotiations, it has become apparent that Germany negotiates its bilateral investment treaties on the basis of a model that violates various national regulations governing foreign investment in Chile, especially Decree Law 600.

In response to a question by one of the businessmen, Del Valle refused to predict what modifications will be made in that legal instrument, because this matter is being studied by the Finance and Economy Ministries and ProChile.

He recalled that Finance Minister Hernan Buchi told Chilean ambassadors in Santiago last Monday that "that kind of struggle between the modifications of

our Decree Law 600 and the adaptation of German or British laws is taking place in a very practical manner, with lofty goals in mind."

"The objective is necessary, and we must adapt to the situation in order to sign the respective agreements. I can give you assurances from that point of view," added Del Valle.

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CHILE

DRAFT OF SECRET POLITICAL PLAN FOR 1989 PUBLISHED

Santiago CAUCE in Spanish 21-26 Jul 86 pp 27-29

[Passages within slantlines published in boldface]

[Text] Even though the members of the Government Junta have refused to admit that General Pinochet will be the single candidate in 1989, with the backing of the economic groups that have developed during his lengthy term of government he has designed a political plan that will enable him to win in 1989.

In fact, one of these groups prepared a draft that is being discussed in the upper reaches of the regime. Companies linked to this group distributed copies of the draft last week to several well-known business and political leaders. The idea is not to skimp either on money or efforts in the bid to create a political top echelon of "elders" and to take populist, vote-getting measures to win over their constituency and, at the same time, repressive steps to quell the growing opposition mobilization.

CAUCE has obtained a copy of this draft of his political agenda. Herewith we reprint the complete text. Boldface is ours.

Specific Measures

1. Political Party

/The first requirement for winning a future election is to have a large, well-organized political party throughout the country that is constantly active on all opinion and vote-getting fronts./

The first step towards the formation of this /broad and united Center-Right party/ must be to bring together, perhaps at the government's urging, /in a confidential effort by its highest authority,/ the most prominent figures who represent our ideas. The range must be extremely broad, covering independents and well-known figures who are currently registered in new parties. Here are some names as examples: Julio Philippi (he is on every list and never agrees to come on board, but he may under enough pressure), Angel Faivovich, Francisco Bulnes, Pedro Ibanez, Onofre Jarpa, Juan Gomez Millas, William Thayer, Juan de Dios Carmona, Fernando Leniz, German Vergara Donoso, Eduardo

Gomien and other prominent figures who may be suggested, the reader of this document, for example.

This "Council of Elders" should call a meeting of the officers of all current centrist and rightist parties so that they can appoint by consensus the officers of the new movement and begin collecting signatures as soon as the new political parties law is enacted.

The party must have well-disciplined, standing organizations that can make decisions on its activities and on current affairs.

The ideological foundation of the party should be similar to what was set forth in a previous document, which we reproduce here: /"In the economic and social sphere, a regime that respects personal initiative, individual freedom and its specific outgrowth, property rights, and in the political sphere, a democracy that is protected from collectivist or totalitarian ambushes and in which the exercise of political rights can never undermine the aforementioned economic and social foundations or other rights that are also prior to and above the State and that therefore cannot be subject to a system of decision-making by majorities or minorities."/

II. Option for the Poor

1. /A series of measures that will quickly and directly improve the lot of shantytown and outlying district residents, because they are the most visible and most motivating political manifestation of the problem of poverty in Chile./ The shantytowns, beggars, the testimony of the underprivileged who are unemployed, cold and do not have enough to eat are the "burden of conscience" that prompts the Chilean bourgeoisie (both the upper and the middle and lower-middle class) to heed the Church's criticism in this regard.

Specific Ideas

/a. Government money for the underprivileged, with fanfare/

/More PEM's [Minimum Employment Program], more POJH [Heads of Household Employment Program] and more money for both./ More funding for the social sector that is concerned with extreme poverty. Financing? When there is a financial crisis ("13 January") or an earthquake or when rivers in the central region overflow, /no one should ask where we are going to get the money from./ We simply act. Now then, we are in just such a situation. This is a political disaster; it is serious; the damage it could cause is huge (the loss of a country), and there is little time left to act.

An indispensable complement to this "preferential option for the poor," which will clearly and directly benefit the unemployed shantytown dwellers, jobless residents of the outskirts and the urban underprivileged, is a publicity campaign that will embed in the minds of the Chilean bourgeoisie the idea that the regime favors the poor.

/b. Government sponsored campaigns/

/*"Volunteer nutrition group":/ women organizing to collect fresh leftovers from wealthy homes in the high-income district and distribute them in shifts every day in the poorer areas. Parish priests are asked to cooperate.

/*"General advisory volunteer group":/ the opening of offices where the underprivileged can request specialized or professional assistance; volunteer professionals will devote one afternoon a week to fill these requests.

/*"Home improvement volunteer group":/ the opening of offices where shantytown dwellers can request aid from better-off volunteers who can give them nonmonetary assistance and advice on home-related problems. For example: upgrading roofs in wintertime, soil improvement, waste disposal, handling and preservation of food, repairing appliances and furniture.

/*"Volunteer group for donations of food and clothing":/ an ongoing, organized and systematic campaign for donations of durable goods to poor families.

/2. Other miscellaneous ideas for helping the poor:/

/*A Consumer Defense Committee/ like the one under the Alessandri administration, to safeguard unfettered competition, to provide information to and to open up the markets where the poor shop.

*Since they spend up to a third of their wages on commuting (when they have jobs and live in remote shantytowns), /provide incentives for them to ride bicycles, as in the industrialized countries/ by setting up a system for them to buy inexpensive models and having the townships set up "bicycle paths," along with a complementary program for buying inexpensive bicycles on easy terms.

/*A potential plan to populate the southern region with the urban underprivileged"/ (there are fewer inhabitants in the entire 11th region than in any of the major shantytowns in Santiago.)

III. A Sober, Honest Image

/The government's image of honesty and austerity is being compromised by many varied charges of waste and corruption, which are not being responded to or clarified./ To combat the effects of this campaign, we must first eliminate any inkling of waste or abuse by officials and, second, counter unfounded and slanderous stories.

/1. Creation of a commission similar to the human rights commission,/ to receive every type of complaint about abuses or excesses that squander government funds. The reason to be cited for its creation is the proliferation of false rumors and news reports that are tarnishing the administration's moral image. The government will create the commission precisely to investigate charges that it receives in this regard, even if they are confidential; the commission can choose whether to publish the findings and is empowered to make recommendations to the government that will be

conducive to proper conduct on the part of officials and to the preservation of the government's image of austerity.

/2. Task force of attorneys, readers and auditors/: should permanently and broadly exercise the government's right to reply to each and every one of the publications that tarnish its public image and to take court action, when appropriate, to punish those responsible and, whenever possible, to obtain damages.

Week after week, many opposition magazines and even supposedly pro-government newspapers and magazines publish claims that tarnish its image. At present, almost no action is being taken to counter this campaign, and the opposition has come to prevail on the public opinion front, as its "ideas whose time has come" are taking root more strongly than the government's, in spite of the government's control of the major mass media such as television and radio. The opposition predominance is even more striking in book publishing.

/Daily, ongoing replies to and studies of possible court action against any publication that disparages the regime should be undertaken./ In recent days an injunction has been filed against the magazine ANALISIS, and as grounds for the action the 50 issues of the publication have been submitted. The action should have been taken 49 issues ago, however, which would have prevented it from publishing that many more slanderous, illegal stories that tarnish the government's prestige.

/3. Outward Signs of Austerity. Government officials must give frequent examples of earnestness, austerity and sacrifice that can be publicized without their involvement./ Here is a typical example of a skillful political gesture (even if the individual did not so intend): Buchi takes a minibus outside the Moneda or decides to ride in an old, beat up car with his escort. Stories like these are told over and over again in admiration, because we Chileans, who are a bit sadistic, like to think that our officials are suffering on our account. And if we believe that, we admire them deeply and will vote for them if given the chance. Regrettably, there are not many examples like Buchi's.

/4. Avoid being in the limelight too much (especially on TV)./ The constant appearance of government officials, their spouses and family members on television, in the newspapers, in magazines and in the social pages creates the impression that they are eager only to be seen and, in general, makes the public bored with these people because "you see them everywhere you look."

IV. Respect for Authority

At the moment, the impression exists that the authorities are not in control in certain sectors. In public schools, opponents are apparently doing whatever they want, even to the point of "reopening" universities on their own and bringing in dismissed professors to teach there. The sense of authority has been weakened because professors, deans and rectors do not want to get a "bad image" if there is a change of government and are, thus, ingratiating themselves with the opposition by allowing everything.

As far as law and order are concerned, most of the attacks on authority in the streets and the shantytowns go unpunished. People who are arrested during disorders are released and summoned to the local police court.

/Specific Measures/

/1. Undisciplined students, activist professors, complacent deans and passive rectors must leave the university./ So far, the only person who has had to leave has been the one rector who tried to establish effective academic discipline in his university.

/2. Street disorders must be quelled with proportionate weaponry, but permanently./ In one instance 18,000 soldiers were sent out into the streets, but armed with automatic weapons, and a shocking number of people who were inside their homes died. Subsequently, less powerful firearms have been used (pellet guns). Even less dangerous weapons should be used so that the city can really be better protected during protests, but with fewer victims; in any event, more sensible action should be taken, because it is not clear whether the protests in question benefit the opposition or the government.

/3. Transfer of some of the savings in military weaponry and contingents from the lessening of international tensions to a bigger and better equipped police force./ Up to now the huge sums of money that had to be allocated to rearm the country in previous years do not seem to have shrunk in proportion to the declining needs for the defense of our sovereignty. The rise in crime should fall off under a policy of more aid to underprivileged groups, as proposed above, but the trend must be encouraged by bolstering police contingents and their equipment.

The Military Government's greatest asset was the climate of public safety and calm. This asset has been squandered because of the disorders and crime and must be recovered.

/4. Cracking down on illicit street commerce./ Its presence creates the impression that the regime lacks authority. This illicit commerce is sporadically cracked down on. It should be done firmly and continuously, especially if steps are taken to benefit extremely underprivileged groups. Downtown Santiago is on most days a veritable billboard proclaiming the government's inability to impose its authority.

The above are some specific ways of gaining greater grassroots support for the government, regaining the ground it has lost to its foes and /homing in on what henceforth must be the fundamental goal of the regime and its backers: "To win in 1989."/

Santiago, July 1986

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CHILE

SOCIALIST PARTY DOCUMENT CALLS FOR UNITY, MOBILIZATIONS

Santiago ANALISIS in Spanish 22-28 Jul 86 pp 7-8

[Text] Proclamation: For Opposition Unity and the Democratic Alternative

1. The Country Has Again Been Notified

The people of Chile have again been notified by the commander in chief that "the government will extend beyond 1989. We are not going to hand over the government just for the sake of it" and "the constitution provided for 16 years as of 1981."

The message does not surprise us. In fact, we have repeatedly contended that Pinochetism seeks to perpetuate itself in power and that it is prepared to crush any opponent, humiliate those who seek a negotiated settlement and ignore the clamor of the people for freedom.

The commander in chief's message comes at a time when the national crisis is growing increasingly acute owing to the effects of a prolonged recession that has hit small and medium business and active and unemployed workers, the impact of the status quo plans of a dictatorship that is supported by the force of arms and the natural rise of our people's struggle in their legitimate demand for democracy, which is gradually making the country ungovernable and creating a democratic alternative for political power.

The military dictatorship persists in its institutionalization plans, offering the shrunken political circle of the ruling bloc and Center-Right quarters marginal participation in the issuance of political laws, so as to legitimize the antidemocratic constitution of 1980 and enable the dictator to be reelected and remain in office until the end of the next decade.

The Pinochet strategy aims at strengthening its ties with monopolistic groups and the international banks, relocating the Chilean Right around the regime in a political scenario that will foster the incorporation of part of the political Center into the system, neutralizing any attempt at negotiation with Christian Democracy and cutting short, through a vast plan of repression, the development of the democratic grassroots alternative. The dictatorship's plans to remain on are not only rejected by the overwhelming majority of the

country, as was demonstrated last 2 and 3 July, but are also being questioned within the regime itself.

The perpetuation of the dictatorship is unacceptable to the majority of the country, but the desire of the majority for change can only be realized to the extent that progress is made along the road of opposition unity and social mobilization.

2. Strengthening Opposition Unity

The Civic Assembly, a broad-based, unified body that is representative of the Chilean social movement, represents a major step forward along the road to democratic unity and in the search for a genuine political solution to the national crisis because it rises above cliquish, divisive maneuvering and lays the groundwork for a new realignment of the opposition.

The governability of Chile today and tomorrow rests on the consolidation of the unified advance of the democratic forces that called the recent work stoppage.

Christian Democracy must realize that there is no political room for negotiations with the current government and that the only viable political approach is to strengthen the unity achieved in the Civic Assembly by raising it to a level that represents a genuine national democratic accord. Various forces that belong to the Democratic Alliance have come out for such a broad unified accord without exclusions, as has the Popular Democratic Movement.

The broad-based, massive and combative grassroots struggle on 2 and 3 July demands a higher unified response that could take the form of a Democratic Coordinator of the various opposition blocs and political forces, inasmuch as there are still separate alternatives and disputes over hegemony, which will gradually be settled as unity and the social mobilization are bolstered.

Progress must be made towards political unity among the opposition to develop a democratic government of national unity made up of all the social and political forces that are consistently struggling for democracy and guiding the transition towards it, a strong and representative government that must take shape in the thick of the struggle against the dictatorship, with a platform of struggle based on Chile Demands and a democratic program that reflects the basic consensus of the nation's majority.

3. Ongoing Mobilization

Under its strategy of active defense with a view towards the 1989 campaign, the dictatorship is trying to get through difficult times with counterinsurgency and institutionalization plans and seeking to regain the political initiative by establishing a new political scenario for an opposition sector. The democratic opposition forces can maintain their political initiative only by continuing the political and grievance struggle of the masses over the coming weeks. The sociopolitical effects of the recent work stoppage may wane if headway is not made along the path of social mobilization and the resolute struggle for democracy in Chile.

The trend towards mobilization that can be seen in various social forces is a favorable development: the middle classes are becoming radicalized and are assuming a leading role in the struggle for democracy; groups of small and medium businessmen are joining the opposition political struggle in spite of government pressures; students are taking on a guiding role as catalysts in the struggle of the social movement on the basis of their own grievances; the women's movement is active throughout the country, incorporating women into the struggle against the military regime; the Araucanian people are mobilizing for their own socioeconomic grievances and in defense of their ethnic identity alongside the majority of exploited people; the movement in the shantytowns is showing signs every day of great heroism and the practical exercise of combativeness and superior organization in the struggle and in the legitimate defense of their organizations and lives, and it will inevitably tend to grow as a result of the regime's repression; the working class and the peasants are beginning to mobilize en masse, and this was one of the significant developments in the recent work stoppage.

4. Development of a Force to Guide the People

Spurring on the movement towards unity and the future mobilizations requires a force to guide the people that can bring together their struggles in an advanced democratic perspective, eradicate fascism, military authoritarianism and economic and financial dependence on imperialism and move forward towards democracy within a noncapitalist framework of national development.

There are two grassroots left wings today. One is the Popular Democratic Movement, which has been the main guiding force of the grassroots struggles over these years. The other, after stringing along with Christian Democracy, has been regaining its political autonomy and rethinking its position on leftwing unity.

The strengthening of the people's democratic alternative will necessarily hinge on the reunification of the Left, under an ongoing policy of broad-based democratic unity without exclusions, confrontation with the dictatorship and promotion of the social mobilization.

The development of the Popular Democratic Movement, which we identify with and support, will be possible to the extent that it continues to promote the policy of democratic unity among the opposition and takes decisive steps towards the reunification of the entire Chilean Left, which will again take up its historic role by pursuing a unified, alternative agenda and undertaking a necessary theoretical and political renovation that will rectify the political practices that contributed to defeat in 1973.

A Chilean Left that is unified around a strategic, democratic and socialist agenda is the best homage that we can pay to Salvador Allende and to the social forces that we represent, which are demanding more leadership, a firmer strategic hand, more organization and more struggle.

5. The Progress of Socialist Unity

The unification of the Socialist Party of Chile represents a definite contribution to the unity of the Left, to the strengthening of the democratic alternative of the people and of their guiding force, and to the promotion of a broad-based policy of unity without exclusions to defeat the dictatorship through social mobilization for change [movilizacion social rupturista].

The fragmentation of the party over the past 12 years does not reflect a self-destructive trend among socialists. It has been due, among other things, to the impact of the political and military defeat in 1973, the failure of a generation of political leaders to engage in self-criticism in the eyes of the people and the pressures and maneuvering by the democratic bourgeoisie to foster the sort of Socialist Party that makes a dominant capitalist system possible without fear of a people's alternative.

Hence, the renovation of the party cannot be viewed as merely a pro-forma sociological development; it is a political process of unification based on a reconciliation among the rank and file and in the struggle, with a clarification of political lines. This process must not be transformed, however, into organizations that are parallel and alternative to leftwing unity. Solid gains towards the unity of the Socialist Party are important because they make a significant contribution to the formation of the political vanguard of the Chilean people and to the implementation of policies for unity and for the genuinely democratic development of the Chilean popular movement.

We have made headway towards socialist unity in recent months; the fruits can be seen in the Socialist Union Coordinator and Shantytown Socialist Coordination, which have replaced the top echelon of previous groups with joint work and struggle. We believe that a brotherly political climate must be reestablished among socialists, as we focus our efforts on joint, broad-based activities without exclusions, develop unity in the struggle and tenaciously and persistently foster unity on the Left and the democratic alternative of the people.

Central Committee
Salvador Allende Socialist Party of Chile
July 1986

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CHILE

ZALDIVAR DEFINES CONCRETE STEPS TOWARD TRANSITION GOVERNMENT

Santiago COSAS in Spanish 24 Jul 86 pp 15-17

[Interview with Andres Zaldivar, former finance minister, senator and president of the Christian Democratic Party, by Raquel Correa; date, time, and place not given]

[Text] He has returned to the national scene with such enthusiasm that it appears he wants to make up for all the time he was gone. Although the 3 years are irretrievable, paradoxically, the time he spent in exile made him not only a local celebrity, but also an international one. When he speaks of his return to Chile after his exile, he smiles with a deep sadness: "That was the great return," he says. It is obvious that those years left an indelible mark on him, like a scar. But now--and Andres Zaldivar regains his enthusiasm and that forcefulness which is so impressive because it is such a contrast to his slight build--he has returned once again. He voluntarily left the presidency of the Christian Democratic International, a post that involved a lot of traveling, prestige, and honors, to attend to what is happening on the home front.

As for posts, Zaldivar has held enough offices to fill several pages. He was one of the most inexperienced finance ministers Chile has ever had (during the Frei administration, naturally), and he has served as a national senator and as president of the Christian Democratic Party.

[Question] It is said that you aspire to regain the presidency of your party.

[Answer] A person cannot decide whether or not he will be a candidate. The circumstances determine that, and it depends on whether he is the right person (he answers, instead of giving a categorical no). What I am interested in, however, is trying to contribute to establishing the necessary criteria for setting out on what I believe is the right course.

Down to Earth

[Question] On 9 June you appeared on the cover of the magazine ALTERNATIVA with the announcement of your political proposal; a few days later you were in a weekly edition of QUE PASA setting forth your position; on Sunday 13 July you took up a half-page of EL MERCURIO on the same subject; on 14 July you

came out in APSI, and now in COSAS. What are you really campaigning for, Andres Zaldivar?

[Answer] Appearing in so many publications is not something I really sought out (he laughs). The thing is, I have tried to express a political proposal that has drawn attention.

[Question] Specifically, how is it different from the one you yourself proposed in July of last year?

[Answer] It has the same underlying theme, but it is more down-to-earth, more finely tuned.

[Question] And how is it different from the "National Accord"?

[Answer] It is not different at all. On the contrary, it is a formula to make the National Accord a reality. It brings the National Accord down to earth in the form of a specific political project, and gives it a schedule. Moreover, there is nothing odd about that: When I returned to Chile on 3 September 1983, the first thing I said in my speech at the Pudahuel Airport was that I did not think the dialogue should continue with Minister Jarpa or with the government, but that a precise calendar should be set beforehand to move toward a democratic transition.

Whenever the government has spoken of a transition, it has done so in vague, ill-defined terms. Now it is even apparent that some (such as Pinochet) believe that the transition begins in 1989, while others (such as Jaime Guzman) think it began in 1981. There are still those who maintain that it started in 1973 . . . I personally believe that there has been no transition, no specific transition plan or formula for entering into it. The government, as Pinochet has confirmed in his most recent statements, is unwilling to compromise. It continues to stand by the 1980 Constitution and its itinerary, without modification. The opposition, on the other hand (of which I consider myself to be a member), contends that it will under no circumstances accept the itinerary of the 1980 Constitution, which should be modified substantially because it is antidemocratic, and the opposition wants to move toward democracy beginning today. These are two parallel lines that can never converge. They lead only to polarization and confrontation, not democracy. The newspapers provide enough proof of this: The degree of violence is increasing steadily. In the past 3 years there has been a death every week, on the average, as a result of the violence. And the violence is becoming more and more intensive. The cause of the increased confrontation is the person who is damming up the river to prevent any flow whatsoever.

[Question] Don't you place any blame on those who are sounding the call for protest?

[Answer] I have heard that question a lot, and it seems reasonable to raise the issue, but the country's response along those lines should be immobilization. It would mean submitting to the dictatorship, to those in power. And that is not the solution. We must get to the root of the problem.

Who Commits Violence?

[Question] You are a pacifist and have adopted the Gandhi method of struggling. Are you sincerely devoted to a position which runs that risk?

[Answer] I categorically reject violence. And when I urge what I call "civil disobedience," it is precisely because I want a peaceful mobilization. But the practice of civil disobedience leads to repression by the regime in an effort to prevent the citizens from expressing themselves. That is what normally leads to violence.

[Question] Are you willing to assume that risk personally?

[Answer] I am willing to assume any personal risk. Gandhi was beaten and arrested many times. Martin Luther King was also persecuted. All pacifists have been repressed with violence. We politicians, who are responsible, must be very clear about denouncing any violence that tries to infiltrate from the opposition sector. We have to be inflexible in preventing it. There are minority extremists in the opposition who are willing to use violence. These sectors are convinced that it is legitimate to respond to government repression with weapons. And that concept of the legitimacy of rebellion gains ground to the same degree that the government closes off the channels that would lead to a political solution to the problem.

[Question] Isn't a strike an incitement to violence?

[Answer] A strike is not violence. It is legitimate.

[Question] But if motor vehicles are burned to ensure the success of the strike . . .

[Answer] Who burns them? Who decapitated the leaders Guerrero, Parada and Mattino? Who burned those kids on 2 July? Who blew up the 12 high-tension lines? Who killed Tucapel Jimenez, Col Roger Vergara, the student Randolph, in Concepcion? These are the questions a lot of Chileans are asking themselves.

[Question] And who killed Simon Yevenes? Gen Carol Urzua?

[Answer] No one has a clear idea of who is responsible for terrorism in this country. That is the tragedy. Because both extremes are for terrorism. If an army lieutenant died as he was planting a bomb in a church, how am I to know who planted the bomb at the Pudahuel City Hall, where the young Farina died? If officers and enlisted men have been involved in something as horrible as the burning of two youths, how am I to know who planted the bomb that killed a worker in the Metro? The question is who is to blame for terrorism. And I believe that the problem is that the country is being subjected to an antidemocratic regime. He who has deprived Chileans of the right to live in a democracy has the obligation to restore that democracy so that the country can return to normal. If there were democracy here, we would not be advocating strikes, or mobilizations, and the students would not be

taking over the universities. As long as the country remains without democracy, there will be a tendency toward violence. More and more.

[Question] There is also violence in democratic countries . . .

[Answer] But it is sporadic, not systematic. And society as a whole combats it and tries to eradicate it.

Political Consistency

[Question] As a member of the Christian Democratic movement, former president of your party, and until just recently president of your party's International, why are you running the risk of proposing your own political alternatives for the country?

[Answer] First of all, because I belong to a party that is democratic, that allows its members to make their own political proposals without going through the centralized controls that are inherent in totalitarian parties. One can make a political proposal as long as it adheres to the official party line and the agreements made by the party. My proposal, moreover, is nothing more than the development of the positions taken by the party. I am not supplanting or trying to supplant the official authority of my party by doing this. On the contrary, what I propose is perfectly consistent with what the Christian Democrats are advocating.

[Question] Is your proposal for dialogue consistent with that advanced by the president of your party, Gabriel Valdes, who has rejected the possibility of registering your party when the law legalizing parties comes out, for example?

[Answer] My party has taken the stand that it will not under any circumstances legitimize the consolidation of the regime in a structure which we consider antidemocratic. What Gabriel has said fits within that framework. What I believe, and what Gabriel believes as well, is that we must take advantage of the situations that arise. We probably will register with the Electoral Records. But that is not the problem. The entire mechanism must be in place in order for democracy to work. I would not be willing to register the party so that we could work within the program according to Pinochet's plan; that would be joining the system and endorsing the antidemocratic process in which we should not participate. I agree with the position (and the Christian Democrats are very clear on this) that we should not take any step that facilitates the consolidation of an antidemocratic regime. Quite the contrary. But we are willing to do anything that is necessary to make real progress toward a democratic solution.

[Question] You say that government and opposition are two parallel routes that can lead only to confrontation. Is "civil disobedience" the way to avoid a confrontation?

[Answer] The social pressure we are advocating--or civil disobedience--is aimed at sensitizing the Armed Forces to the need to seek an understanding with the civilian population. For the two positions to come together, the

logical thing is for them both to show flexibility in an effort to seek common ground.

Compromise Necessary

[Question] Do you think it is too late to attempt to reach a more discreet understanding between the civilian leaders and the chiefs of the Armed Forces?

[Answer] We must keep trying. It will only be too late when it has become impossible. The Armed Forces and the civilian population have an obligation to seek a compromise. Otherwise, there is no possibility of reaching an understanding.

[Question] Don't you think that so much publicity hurts the chances for negotiation?

[Answer] I agree absolutely. In any negotiation, there must be a preliminary stage in which action is taken in secret so that the two sides can move closer together through seconds or third parties.

[Question] Has that stage already passed, or did you ever go through it?

[Answer] We never had it. In the talks between Jarpa and the opposition, a fundamental mistake was made: They tried to do everything in broad daylight from the very beginning. The major error there was that the first phase that is necessary in any negotiations, sending out "feelers" in discreet negotiations between the two sides, never happened. A good example of the opposite phenomenon was the National Accord: They negotiated for months, and no one knew about it until it was practically ready. Kissinger did not go to Paris to sit down and sign the negotiations with the Vietnamese until his advisers had already reached the basic agreements with the Vietnamese representatives.

[Question] Don't you think that another factor which has undermined the possibility of an understanding is the presence of too many negotiators?

[Answer] I think so. In addition, that is the impression that prevails in public opinion: that there are too many people, and that in their desperate desire to break out of the current situation they state sometimes contradictory opinions.

[Question] Has the opposition lacked the generosity or magnanimity to follow a single leader?

[Answer] That is a product of the times we are living in. In a country that has endured a dictatorship for a long time, with the entire political apparatus practically disintegrated, once the opening begins the whole political class emerges and the process of composition, recomposition, and understanding begins. But we have made progress.

Secret Talks

[Question] The public sees a lot of discord. One day the president of the Radical Party talks about being willing to engage in dialogue with the government, and that same afternoon the vice-president of the Radical Party denies it . . .

[Answer] I think that is really a shame. But that is happening not only to the Radical Party, but to other political forces as well. The opposition urgently needs to reach a quick, concrete agreement on a political proposal that all the parties can accept and that can be presented to the country.

[Question] That was what the National Accord was all about, but a few days ago the president of the most important party in the Accord, the Christian Democratic Party, spoke of a new grouping. Does that mean the end of the Accord?

[Answer] As I understand it, Gabriel said that the spectrum of the democratic forces must be broadened, from the National Party to the Socialist Party . . .

[Question] But those are the ones that are already part of the Accord. Is the Popular Democratic Movement (MDP) to be included?

[Answer] No, because the MDP is not part of the plan for the Christian Democratic alliance. The idea is to seek a common political plan beyond the Democratic Alliance. In fact, the National Accord covers a broader spectrum than the Alliance does.

[Question] In your opinion, should the most radical left be excluded, the MDP in general or the Communist Party in particular?

[Answer] A plan for political alliance, for the purposes of reaching a consensus, must be undertaken with the political forces that are pursuing the same objective: the search for democracy by peaceful means. Now as for understandings, it is necessary to engage in dialogue with all political forces, including the MDP. Ultimately different points of view will be delineated, but the basic purpose is to achieve a consensus to enable the country to follow a peaceful course and eradicate violence. The purpose is not to succumb to the violence which some figures in those political groups claim is a legitimate instrument. In this regard, I absolutely disagree with the statements made by some MDP leaders. I consider them completely inappropriate. The confrontation with the government which they advocate is not a path we can accept, and for that reason we cannot reach a political agreement with that sector.

[Question] But the Christian Democrats were holding secret talks with the MDP, according to Jose Sanfuentes of the Communist Party.

[Answer] We do not refuse to talk to any sector. But we cannot reach understandings or agreements along political lines with the people or organizations who believe that confrontation is the way to go. That is what we must try to avoid. We must seek agreements with all the parties that want

to achieve democracy by peaceful means. If the Communist Party states tomorrow that it has decided to renounce violence--even in strategic terms--and to commit itself to the democratic system--even as a strategy--then that offer must be accepted and put in writing. That is what has happened in other parts of the world.

Commitment of Armed Forces

[Question] Let's look at the other side of the desired consensus: the authorities. You consistently talk about the Armed Forces, making a distinction between them and Gen Pinochet. Don't you think that shows a lack of absolute realism?

[Answer] I believe that Pinochet and the Armed Forces are not synonymous. Pinochet is part of the Armed Forces, but he is not the Armed Forces. And I think that when the opposition refers to a dialogue with the Armed Forces, it is correct.

[Question] And who represents the Armed Forces?

[Answer] The commanders in chief are the top leaders. But the commitment to restore democracy as soon as possible, which was undertaken on 11 September 1973, was made by the Armed Forces as a whole, as an institution. Of course each branch was represented by its top officials, but it is the Armed Forces as an institution that must respond to that commitment and reach an understanding with the civilian forces to arrive at that agreement. The Armed Forces have that commitment, and they will be the ones to remove the obstacles in order to carry it out.

1989

[Question] Would you be willing to engage in a dialogue with Gen Pinochet?

[Answer] If the goal is to move toward democracy, the opposition must be willing to talk with Pinochet.

[Question] In other words, yes, you are willing?

[Answer] I am willing to talk with anyone, as long as it advances democracy. But I also think that Gen Pinochet, especially since his recent statements, has closed the doors to dialogue. Those statements reaffirm the conviction I have always had: that Gen Pinochet is not willing to leave power. Now he has been more explicit than ever in saying that this government has 8 years left, after 1989. Anyone who remains in power through nondemocratic means will never be willing to give it up. His speech is a reaffirmation of that position, and he will do everything he can to exercise the prerogatives he gave himself under the 1980 Constitution. That is, he will be the only candidate in 1989 and will hold a controlled plebiscite directed by the government itself, and he will make every effort to remain in power through 1997 and beyond.

[Question] How do you reconcile that conviction with your position of seeking dialogue and making political proposals?

[Answer] Because what Pinochet wants does not have to be what is done in this country. And because any politician has an obligation to seek solutions for his country. For the same reason, we must continue to insist on holding talks with the Armed Forces, and even--if necessary--talking to Pinochet himself to find a democratic solution, although I am convinced that Pinochet will never sit down to talk. We insist on that idea, and we want to make it clear who is standing in the way of the solution. In my proposal, I have even advocated something that would have been scandalous 2 years ago: that a military officer or someone appointed by the Armed Forces preside over the transition. But when I talk of transition, I am referring to a brief period that runs from the time the reforms are implemented to when a democratic government takes office. That transition should last no longer than 12 to 18 months.

Transition

[Question] Put your proposal in a time frame.

[Answer] My proposal's point of departure is the measures aimed at expanding the sociopolitical sphere. These are the same immediate measures called for in the Accord: an end to exile, the normalization of the universities, the suspension of enforcement of Transitory Article 24, respect for basic freedoms (expression, opinion, assembly and association), and voter registration.

[Question] All these measures depend on the government's willingness.

[Answer] Exactly. They all require government initiative. And everyone agrees on them, from the Independent Democratic Union (UDI) to the Communist Party. The transition stage begins with the last of the immediate measures: voter registration.

[Question] Suppose the government also agreed to the immediate measures. How long would it take to put them in practice?

[Answer] A very short time. To put an end to exile, one day. All it has to do is issue a decree. For the others, the government simply has to make a political decision. A week, 10 days, 15 days. Because it is not necessary for all of them to be carried out; just beginning the process is enough. The voter registration requires legislation.

[Question] What is the minimum time you think it would take to prepare the voter rolls?

[Answer] It depends on whether they are done with the most modern data processing methods, by computer, or by hand, as the government wants to do. The experts calculate that with modern methods, it would take 4 to 6 months at the most.

[Question] So the voter rolls could be ready by March 1987, more or less?

[Answer] Sure. And 60 days after the rolls are drawn up, a plebiscite should be held on the three reforms that most people consider fundamental: open presidential elections, electing the entire Congress instead of appointing some members, and giving it full constituent powers in accordance with the quorum provisions that most constitutions in the world have. And the Congress should be elected before the president, not afterwards, just as Jarpa himself has proposed. That Congress is necessary to adjust the new institutional system for the new president.

[Question] But before that you propose that a commission be named to draft political legislation and draw up regulations governing the political parties, the electoral system and the revision of the Electoral Tribunal. Who will name that commission?

[Answer] Since the Armed Forces should preside over the transition, which will already have begun, the government would have to reach an agreement with the civilian forces on the composition of a commission. Everyone must be satisfied, with representatives of the parties and also experts on these matters.

Without Obsessions

[Question] Don't you take into consideration the possibility that Gen Pinochet may preside over the transition?

[Answer] No. I believe that he cannot preside over it, and I maintain that in my proposal. It is inconsistent. The Armed Forces must name the person who will preside over the transition, from the very moment all these preliminary steps begin.

Then (he waxes enthusiastic about his plan), once the plebiscite is set in motion in March, the representative commission is named to draft the fundamental political legislation . . . and once this commission is functioning and the government is led by a military or civilian official named by the Armed forces, congressional elections are called in 90 days.

[Question] When?

[Answer] I propose to hold the elections for Congress by the third quarter of 1987. It could be the end of September of that year. Between 6 and 9 months later, between March and June 1988, we would hold presidential elections for the first normal term.

[Question] And all that just to gain a few months?

[Answer] It is not a question of gaining a few months. The itinerary set forth in the Constitution does not place the country in a democratic process, nor does this period culminate in 1989 with a democratic event. This process, on the other hand, places the country in a process of increasing democratization. Especially since Pinochet made those statements in Santa Juana, it is clear that this Constitution is not leading to democracy in 1989 or even afterwards. In this schedule, I didn't even stop to figure if it

culminated before or after 1989; the only thing I am interested in--and this goes for the country too--is attaining democracy. I am not obsessed with the date. The problem of 1989 does not matter to me. It is not a magic date. The important thing is what steps the country takes to arrive at a real democratic formula. The country must begin to move toward democracy right now. And it should be noted that a major part of my political formula is not a personal creation, a whim; it is taken from the statements of various sectors of the country (including the Armed Forces) in order to find a consensus.

[Question] Finally, do you have the support of your own party?

[Answer] As I was saying, mine is a democratic party, and my proposal adheres strictly to the official agreements made by the party. And this proposal is subject to discussion within the Christian Democratic Party . . .

8926

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CHILE

COMMENTARY ASSESSES RECENT WORK STOPPAGE IMPACT ON GOVERNMENT

Santiago CAUCE in Spanish 14-20 Jul 86 p 7

[Commentary by Mario Papi Beyer]

[Text] The work stoppage of 2 and 3 July, which was called by the Assembly of Civilians with the backing of nearly all the political forces that favor democracy, raised several interesting issues.

The first is that the opposition regained much the same ability to mobilize as it had enjoyed before the last state of siege was declared. In fact, the so-called Assembly of Civilians received an outpouring of support that surprised even its own organizers, according to Dr Gonzalez himself. The vast majority of leaders had their doubts, more or less well-founded, about the results of this first attempt at mobilization. One reason was the poll conducted by the Latin American School of Social Science (FLACSO) regarding the supposed real concerns of the general public. Nevertheless, although the concerns revealed by this survey were not incorrect, they do not preclude the vast majority from feeling that a significant political change in the present situation is an indispensable requirement for improving their lot.

The response to the stoppage by many sectors was simply a manifestation of the fact that nearly 30 percent of our population lives in extreme poverty, aggravated by an unemployment situation with no end in sight. On the other hand, particularly in the slums, it was a reaction to the continual humiliation to which the people are subjected when uniformed officers conduct searches. In addition, all those who yearn for democracy to return soon and who see no hope for negotiations, since the chief of state gave the cold shoulder to the National Accord and even to Cardinal Fresno, wanted to voice their opinions. If even that high official of the Church is unable to get the attention of a leader who claims to be a believer in Catholicism, what alternative do civilian opponents have? That is the view that has been gaining ground dangerously, and that has been radicalizing many sectors.

It was also clear, however, that the mobilization capacity of the opposition is still far from destabilizing the government, even though the opposition does have enough of a majority to prevent the government from imposing its own plans completely. Thus, the country is obviously at a political impasse, and

unless a negotiated solution can be found the only possible outcome is the growing polarization of the two sides.

This polarization became very apparent during the stoppage in question. The way the uniformed officers went out into the street reflected the increasing violence in the regime, and increasing hatred of dissident civilians. It was clearer than ever who was responsible for the bloody acts we all deplore. The incident of the burned youths was pathetic. There are those who have no doubt whatsoever that a given military patrol was to blame. It is imperative that this case be investigated quickly and thoroughly. We must find out as soon as possible whether the military and police forces themselves are experiencing discipline problems or some other difficulty that is leading some individuals to behave completely irrationally.

The concern about this entire phenomenon is reflected in the most recent statements by Gen Luis Danus, who called upon all political sectors to explain their motives. Although this general has clarified since then that he did not intend to undertake a national dialogue because such an issue does not fall within his purview, and that he was speaking only in regional terms, it is obvious that whatever applies to his region is also true of the entire country.

Indeed, it is tiresome at this point to keep repeating that we cannot turn a blind eye to the political problem, and that we urgently need to seek ways to engage in dialogue. It is also rather naive, because the fact is that while the opposition has no alternative but social pressure, and the repressive forces become increasingly virulent, the commander in chief remains undaunted in his "presidential campaign," apparently unconcerned by what is happening in the nation. In other words, if the one who does have the capacity to prevent more suffering in the country is refusing to do anything, there will be less and less room for reason. Moreover, the kind of people who found three people who had committed suicide in a secret clinic, and who sought revenge by trying to kill some carabineros at a Santiago police post, will gain ground. Only those who understand the logic of war, of a silent and cruel war between compatriots, will be left talking.

There is not much the opposition can do to alleviate the climate of violence. All doors are closed to it, and apparently most of the recourses it has have already been taken to no avail. Today its only alternative would be to give in and withdraw, leaving Gen Pinochet to run the country as he sees fit. Otherwise, it could continue with new protests, knowing that they will not yield any benefits for a long time and will only bring new pain. It can rest assured, however, that in the long run all dictatorships fall. It is unfortunate that the government continues to act with such disregard for its countrymen. Today it alone is responsible for the confrontation, because it has left no other way out and has shown no intention other than to remain in power at whatever cost, "even if the people have to go hungry," as was stated at one time. Regrettably, it is not just at the expense of "hunger" now; human lives are now at stake, many of them innocent due to their young age. Resentment will build, and the solution will grow increasingly difficult. No one in the regime seems to understand that.

8926

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CHILE

CENTRAL BANK REPORTS INCREASE IN RESERVES

Santiago LA NACION in Spanish 16 Jul 86 p 12

[Text] The gross reserves of the Central Bank expanded by \$98.1 million last May, reaching a total of \$1,779,700,000, according to the bank's Department of Studies.

The bank reported that in addition, "international assets rose by \$136.5 million in May, attaining a level of \$3,001,200,000."

"The increase in international assets," stated the bank report, "is attributable in large measure to the \$73.7-million transaction related to the Expanded Facility Program agreed to with the International Monetary Fund."

Balance of Trade

As for the balance of trade, it was reported that this indicator recorded a surplus of \$106.4 million in May. Thus, the total positive balance so far this year amounts to \$623.6 million. This figure is 68.1 percent higher than that recorded for the same period of the previous month.

Exports totaled \$341.6 million in May, bringing the cumulative total to \$1.779 billion. This is 9.9 percent higher than the figure for the same period of last year. The growth in exports is the result of higher sales abroad in various categories: mining, 3.7 percent; agriculture and livestock goods and sea products, 10.9 percent; and industrial products, 20.9 percent.

Imports amounted to \$235.2 million in May, yielding a year-to-date total of \$1,155,400,000. That is 7.4 percent lower than the amount for the same period of the previous year. This decline is the result of fewer purchases of consumer items and intermediate goods abroad, in addition to an increase in the amount of capital goods purchased domestically.

Interest Rates

Moreover, international interest rates behaved differently in May. While the Libor rate grew at a slight 0.09 percent, attaining an average of 7 percent for the month, the prime rate dropped by 0.34 percent to an average of 8.50 percent.

8926

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CHILE

BRIEFS

NEW PORT PROJECT--Work continues on the construction of the El Salvador Division's new system for shipping minerals at the port of Chanaral. The project calls for a loading dock with a capacity of 50,000 tons, equipped with cranes for loading. It will replace the old system of barges, and will yield savings in both time and operation costs. At present an asphalt road and a rail line are being constructed in order to link the new project with the old dock. Similarly, work is still underway on dredging, putting in a fill line, and putting up a bridge to provide access to the structural works. Gabriel de los Rios, the engineer in charge of the project, stated that a single stage of construction has been planned, from May 1986 to May 1987. He added that for the time being, only specialized personnel are working for his company, Ovalle Morre, but local labor is scheduled to be hired later. Finally, he said that the benefits the new port will yield to this community, once it begins operating, are incalculable. [Text] [Santiago TERCERA DE LA HORA in Spanish 20 Jul 86 p 18] 8926

CSO: 3348/714

COLOMBIA

UNIONS CITE CONDITIONS FOR NEGOTIATION WITH GOVERNMENT

Bogota EL TIEMPO in Spanish 29 May 86 pp 1-A, 7-A

[Article by German Navarrete, editor of EL TIEMPO]

[Text] The UTC, CGT, CTC and CSTC labor union federations agreed yesterday to a possible negotiation with the Government and employers on the retroactivity of dismissals, "if and when the new Administration headed by President Virgilio Barco brings to an end the insecurity that prevents the return of flight capital, dismantles the UPAC, institutes the 40-hour workweek, and eliminates the taxes that are suffocating business and not allowing it to provide jobs for the jobless."

Victor Acosta, Alvaro Ramirez Pinilla, Manuel Felipe Hurtado, and Gustavo Osorio, presidents of the federations, agreed, under those conditions, to take part in the dialogue opened by INCOLDA, CARACOL and EL TIEMPO, for the purpose of seeking concrete, rapid and effective solutions to the problem of the 1.5 million jobless Colombians, based on measures that would be proposed to Congress and the Government in August.

The union leaders warned that "We have no intention of forgoing the labor gains that have been won by the workers after long years of struggle, but we are also not blind to the fact that unemployment breeds subversion, crime, prostitution and malnutrition," and announced their willingness to dialogue openly and guilelessly "on any issue, no matter how thorny."

The first meeting of the drive against joblessness proposed by INCOLDA, CARACOL AND EL TIEMPO was attended by the leaders of the UTC and CSTC; Yamid Amat, of CARACOL; Pedro Vargas, national president of INCOLDA; Marco Fidel Rocha; William Garcia Olano; and representatives of the private sector. Agreement was reached among those present on holding a series of weekly meetings with ministries, business firms, and trade associations and employer associations, aimed at gathering all possible approaches to resolving the unemployment problem, evaluating them, and creating a commission to draw up the conclusions, submit them to the three sides for agreement, and submit a draft bill for study by the Congress.

'Overtime Must Go'

After warning that the UTC, CGT and CTC are distanced from the CSTC only by aspects of an ideological order, "since fundamentally, we are all in total agreement that it is pressing and necessary to resolve the problem of joblessness," Victor Acosta and Manuel Felipe Hurtado issued the following statement:

"Overtime breeds unemployment... It must be done away with so as to make room for those who today do not even have the means to buy nourishment. The situation is taking on characteristics such that those without jobs today are frowning upon those fortunate enough to have a stable job and a permanent wage. A problem of class confrontation is taking form, which can in no way benefit the country and which, on the contrary, favors the enemies of our democratic system."

9399

CSO: 3342/634

COLOMBIA

EXPECTED OIL, COAL BONANZAS SAID 'ILLUSORY'

Bogota EL TIEMPO in Spanish 29 May 86 pp 1-A, 6-A

[Text] The country's expected oil and coal bonanzas are still in the illusory stage, according to views expressed yesterday by ECOPETROL [Colombian Petroleum Enterprise] and the Office of the Comptroller General of the Republic.

In the case of oil, the president of ECOPETROL, Alfredo Carvajal Sinisterra, stated that, with the discovery of Cano Limon, the country's expectations had risen beyond the realm of reality, and that, starting this year, there will be a considerable scaling down of exploration plans as a result of the low prices for crude oil abroad.

As for coal, the Comptroller General's Office reports that, through CARBOCOL [Colombian Coal, Inc], Colombia is losing U.S.\$51 per ton of coal exported to world markets, which would mean a total loss this year of U.S.\$153 million on the 3 million tons it plans to export.

The reality of the oil situation was detailed by Carvajal Sinisterra in a speech he delivered yesterday before the Colombian-French Chamber of Commerce. That of the coal situation is discussed by the Comptroller's Office in the editorial section of its institutional publication in the forthcoming issue.

The president of ECOPETROL argued yesterday that Colombia is not an oil-exporting country.

In support of his thesis, he said: "I believe illusions were generated that exceeded the bounds of realism when Cano Limon was discovered. We entered a state of euphoria and began talking of Colombia as an oil-exporting country, which we definitely are not."

The oil bonanza was one of the themes posited publicly by President Belisario Betancur following confirmation of the discovery and potential of Cano Limon, in Arauca.

According to Carvajal, while Venezuela has reserves of over 230 billion barrels, Colombia's reserves total barely 1.3 billion barrels.

This situation will tend to worsen in the future, owing to the exploratory disincentives the drop in world oil prices has produced. Until only a few weeks ago, Carvajal had expressed the view that the country was not being seriously affected by this phenomenon. But yesterday he acknowledged that it is having a negative effect, that the rate of exploration by private companies will decelerate, that there will be less interest in existing joint contracts in Colombia, and that the rate of increase of oil reserves will be less than it has been over the past 2 years.

ECOPETROL will have to take over the exploration programs those companies will be abandoning, but its economic situation, which will be worsened by the slowing of revenues, will not enable it to replace the companies to a significant extent, he said.

Plans for 1986 had called for the drilling of 80 exploratory wells, 12 of which were to be done by ECOPETROL. "That goal will not be attained," the executive said point-blank.

He also stated that the World Bank, with all its experts, had been completely mistaken in its forecasts of oil and coal prices. "Not even one of their forecasts was correct," he asserted.

In what he termed "a brush-stroke analysis with a broad brush" of the world oil situation, he said that OPEC had committed serious errors in underestimating the ability of the industrialized countries to reduce consumption through the use of alternative fuels, and that an international price rebound will be very difficult. In his view, the world price could stabilize around \$20 a barrel.

He does not expect demand to rise significantly, but does foresee a probable recovery in the consumption of fuel oil, which would benefit Colombia as an exporter of this form of fuel.

Sales to Chile

Carvajal Sinisterra confirmed that Colombia will begin permanent sales of crude oil to Chile this year. The respective government-to-government agreement is now ready for signature and lacks only the defining of an agreement between the central banks of the two countries as to the terms of payment.

He did not specify volumes or prices, but he did say that oil of good quality will be exported and at the best prices.

Colombia will also continue the exporting of crude to other markets, by both ECOPETROL and the private companies.

As of today, Colombia's production of oil totals 300,000 barrels a day. By the end of this year it will be producing 350,000 barrels a day. With total domestic consumption at 220,000 barrels, there will be a surplus of 130,000 barrels a day for export, according to the official's figures.

With regard to coal for direct-burning purposes, produced by the country in the El Cerrejon Norte deposit, in Guajira, 50 percent of which represents CARBOCOL's share (not including royalty rights), the Comptroller General's Office made the following observations, among others:

"In the mentioned case, during the current 1986 fiscal year, the operational costs plus CARBOCOL's administrative costs add up to \$42 per ton, which, when added to financing costs rounds out at \$88 per ton. When compared with the price of \$37 per ton it could bring if sold on the international market, it is clear that the bewildering ballyhoo fails to tally with the true interests of the country.

"A similar case can be made for the Llano oil," it adds, "and all as an inevitable consequence of ignoring the need for comprehensive analysis, and the need to understand that Colombia does not come to an end every 4 years and that supply projections for the medium term must be taken into account, so that cases representative of similar situations can be brought out into the clear, like that of the giant Orito oil pipeline being used today to transport a miniscule flow of oil."

In national energy sector circles, the comment is heard that the price of U.S.\$37 per ton mentioned by the Comptroller's Office is high, in that the real price today would be around \$28 to \$30.

9399

CSO: 3342/634

COLOMBIA

BANK DIRECTOR URGES CAUTION IN MONETARY POLICY MANAGEMENT

Bogota EL SIGLO in Spanish 29 May 86 p 9

[Article by Raul Rodriguez]

[Text] Francisco Ortega, director of the Banco de la Republica warned that in the coming months it will be necessary to exercise caution in the management of monetary policy in order to avoid inflationary pressures that could unleash an upward spiraling of consumer prices, turning the present bonanza into a negative factor from the standpoint of achieving our national developmental goals.

In a detailed technical study of Colombia's monetary outlook, based on this year's first-quarter results in this domain, and in view of current forecasts, the of the central bank of issue warns that, although in previous years the factor that has helped achieve a containment on the monetary, hence inflationary, front has been the foreign sector, this extremely important function must now be performed by monetary policy.

In the Editorial Comments" column of the monthly review published by the Banco de la Republica, Ortega Acosta writes, "The situation just described not only threatens to give rise to additional inflationary pressures but is also, because of the abruptness of its advent, sowing a certain amount of confusion in the monetary market and is not imparting an effective impetus to the market's normal development."

The above commentary makes reference to the excessive liquidities present in the monetary system, mainly among the intermediaries, such as savings and loan associations, and to the fact that a large part of the money supply is in the form of checking account deposits, thereby reducing the amount of money in circulation; and it points out that this can bring about greater inflationary pressures owing to the so-called banking multiplier resulting from the bank's credit operations.

According to the director of the central bank of issue, the growing liquidity in the monetary system is reflected in such figures as those of checking account deposits, which showed a 32-percent growth rate in the first few months of 1986, whereas in previous periods this growth rate has averaged barely 22 percent.

The banking system's other means of mobilizing funds also show high growth rates: Mobilization through certificates of deposit is growing at a rate of 34 percent annually; savings deposits, 37 percent; and national mortgage bank bonds, 45 percent. These are indicators of a higher rate of liquidity within the system; the latter, however, is in any case not profiting from the situation, owing to higher costs of intermediation and the negative results of its cumulative earnings over the past few years.

Ortega reiterates that if this trend in the money supply and toward increasing liquidity in the monetary system continues, this year's difficulties could compound, mainly in such areas as that of the inflation rate, a decisive factor from the standpoint of attaining the objectives of an economic rebound policy.

Control Policies

Much of the economic team's work this year has been centered on the field of monetary policy, on the definition of strategies to prevent the greater inflow of foreign exchange generated by the current coffee bonanza, and its subsequent monetization from dollars to pesos, from exerting too great an impact on the money supply.

According to reports by Finance Minister Hugo Palacios Mejia, the results of these strategies thus far have been satisfactory, in that the money supply has remained within the bounds of positive growth so that the goal of a 22-percent rise in inflation for the entire year is still within reach.

Nevertheless, in his analysis, the manager of the central bank of issue, states that, in the management of monetary policy over the next few months, stress must be placed on preventing pressures from building that would otherwise spark a dangerous escalation of inflation.

"Of the monetary control mechanisms available for 1986, perhaps the most important is the agreement made between the coffee sector and the national Government to neutralize the monetary impact of the surpluses generated by coffee revenues," said Ortega Acosta.

He added that, as of April, by making use of this mechanism, \$70 billion, including \$19 billion of transitory credits granted by the National Coffee Fund to the Betania and Carbocol projects, had been withdrawn to cancel foreign debt.

"During the year, and depending on the evolution of coffee prices in foreign markets, it is hoped to be able to use the Coffee Agreement to neutralize monetarily some 200 billion pesos," said Ortega Acosta.

Lastly, this highly-placed official emphasizes the role played by open-market operations within the monetary strategy being pursued to avoid an

overflow into the money supply that would have inflationary consequences. These consist of the floating of credit instruments, through which billions of pesos are siphoned out of the market.

Because of their voluntary nature, open-market operations have the advantage of absorbing liquidity without generating shock effects for the financial intermediaries. Such operations are geared to prevailing market conditions and do not arbitrarily put the strain of a contraction on any one sector."

He concludes saying that emphasis will be placed, to the extent possible, on the use of this form of contraction in dealing with the current monetary situation, without resorting to such alternatives as cash reserve requirements, which not only generate distortions but are also difficult for the financial sector to absorb.

It follows that the next Government would have to adopt, from the outset, a monetary policy that guarantees, on the one hand, the availability of a moderate amount of liquidity to the economy and, on the other, a containment of pressures that could cause overflows into the money supply system.

9399

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CUBA

IMPORT SUBSTITUTION: ADVANCES MADE, SECTORS TARGETED

Havana CUBA SOCIALISTA in Spanish Mar-Apr 86 pp 69-86

[Article by Ramon Perez Cabrera, section chief of the Department of Economics of the Central Committee of the Communist Party of Cuba]

[Excerpts] Import Substitution in Cuba Since the Triumph of the Revolution

The combination of circumstances necessary for import substitution to become a springboard for the country's industrialization has been present in the Cuban economy since the revolution transformed society and the economy.

One example of the development of the country's mechanical production for the sugar industry is the fact that at this time six new sugar mills are in operation, and others are under construction. They have been designed and planned by Cubans, and the industrial phase of them has cost approximately 61 million pesos, with a national share of 67 percent. Nationally-produced technological equipment, parts and components play a major role in these values.

In the process of replacing imports in the sugar industry, however, the replacement of petroleum must be mentioned first of all. The petroleum which was formerly used during the production of raw sugar has now been replaced by bagasse, the primary fuel in this industry. The results have become apparent after several years of work, and culminated in the 1984-1985 harvest with the total elimination of petroleum in the production of raw sugar.

The savings achieved in the 1981-1985 5-year period (Footnote 3) (If real consumption for the 1976-1980 5-year period is compared to real consumption in the 1981-1985 5-year period; variations in the level of sugar production have not been taken into consideration.) have led to a real reduction of 1.7 million tons in the consumption of fuel oil, which is equivalent to about 300 million pesos in foreign exchange, given the price this product has sold for on foreign markets.

The construction of the Sagua la Grande Boiler Factory has been particularly important in this industry. This plant manufactures energy equipment and spare parts for sugar mills, primarily for steam boilers. More than 50

percent of the boilers installed for the 1985-1986 harvest were produced in Cuba.

In other sectors of equal importance, fundamental investments have also been made. They are having an impact on the country's industrialization, and are replacing traditional imports, wholly or partially. If this productive capacity were not installed, it would be necessary to import the aforementioned goods to meet the urgent demand for supplies for the economic and social development undertaken by the revolution.

In general, the sectors that make up the mechanical industry, which were practically non-existent before 1959, are making a significant contribution to the industrialization process. They accounted for more than 12 percent of the country's industrial production in 1985, with a volume of over 1.5 billion pesos.

The development of the principal products of the mechanical industry, which as a whole are replacing imports to satisfy domestic demand, is shown in Table 1.

Table 1

Product	Production Achieved				Annual Growth Rate (in percentages)	
	UM	1975	1980	1985	<u>1985</u> <u>1975</u>	<u>1985</u> <u>1980</u>
Construction of non-electrical machinery	MMP	262.6	460.9	958.7	13.8	15.8
Of that:						
Buses	U	1,718	1,846	2,393		
Tractor-trailer rigs	U		258	730		
Sugarcane combines	U	--	501	606		
Irrigation systems	U	--	666	1,431		
Farming equipment	U	--	1,920	3,001		
Cement mixers	U	--	65	700		
Industrial plants and equipment	MMP	3.0	24.0	80.2	Z	27.3
Spare parts	MMP		122.0	492.1		32.5
Ferrous metallurgy	MMP	61.8	93.8	145.0	8.9	9.1
Of that:						
Steel bars	MT	243	260	300		
Steel wire rod	MT	--	10	50		
Other steel shapes	MT	--	4	5		
Electronics and electrotechnics	MMP		76.6	164.8		16.6

Product	Production Achieved			Annual <u>1985</u> <u>1975</u>	Growth Rate <u>1985</u> <u>1980</u>
	UM	1975	1980		

Of that:					
Medical equipment and furnishings	MMP	0.3	1.0	8.0	
Batteries	MU	140	302	393	
Electrical wire up to 1 kw	MKM	27	38	64	
Telephone wire	MKM	5	7	14	
Metal products	MMP	106.6	126.4	237.2	8.3 13.4
Of that:					
Barbed wire	MKM	107	120	220	
Steel wire	MT	6	13	20	
Metal structures	MT		24	39	

Information not available or not comparable

-- Was not produced at that time

Z The number exceeds the scale of average values

The effort to expand the manufacture and recycling of spare parts has been of singular importance in the import substitution process. The main impetus for this effort came from the 1st National Forum on the Recycling and Manufacture of Spare Parts, which was held in January 1982. Commander in Chief Fidel Castro presided over the closing ceremonies of that forum.

This broad movement of the masses has been characterized by the varied participation of outstanding factory workers and technicians, workers in various activities, leaders, and the joint action of the National Association of Innovators and Rationalizers, the Technical Youth Brigades, the Revolutionary Armed Forces, the Central Organization of Cuban Trade Unions, and the national trade unions.

The growth rate of national spare parts production has been much higher than that of imports of these same products in recent years.

Table 2
Value of Spare Parts
(millions of pesos)

Year	National Production and Recycling	Imports	National Production per 1,000 Pesos of Imports
1982	332.8	392.1	849
1984	604.1	524.3	1,152

In the food industry, grain combines were constructed in Havana, Cienfuegos, and Santiago de Cuba. They are now replacing half of the imports of wheat flour. Moreover, the grain residue is used as animal feed, which in turn is replacing imports of raw materials for fodder.

A glucose factory was built in Cienfuegos, completely eliminating all imports of that product. In addition, this plant produces animal feed from the corn residue. A feasibility study is now being conducted to determine whether the imported corn used as a raw material in this factory can be replaced. Two animal meal plants were also built in Santa Clara and Santiago de Cuba, respectively, and they are replacing imports of meal for feed. The two plants use the waste products from slaughterhouses as a basic raw material.

In the textile sector, production has tripled since 1970. The industry has expanded enough to eliminate the importation of fabric for domestic consumption almost entirely. At the same time, it will be possible to develop the production of clothing for export.

In the pharmaceutical industry, the production of medications has risen to more than three times the level of 1965. As a result, the development of our country's health programs is essentially guaranteed. At present, this production covers 84 percent of national demand for medications. The pharmaceutical industry has the equipment and skilled personnel it needs to carry out the import substitution program for the 1986-1990 5-year period without major investments.

Fifty-two percent of production in the sports industry in recent years has amounted to real import substitution.

The production level of the book industry has provided the country's educational system with the necessary textbooks and teaching materials to carry out current programs. Imports are limited almost exclusively to consultation books for higher education and research centers.

In agricultural and livestock production, high growth rates have been achieved in areas where products have been imported, and in turn, consumption has been boosted.

Tables 3 and 4 show the results obtained in the production of rice, potatoes, pork, poultry and fresh milk, products which are of vital importance to the balanced diet of the population.

Table 3
National State Production
(in thousands of tons)

Product	1970	1975	1980	1985	Annual Growth Rate (in percentages)	
					<u>1985</u> <u>1970</u>	<u>1985</u> <u>1980</u>
Rice	183	223	225	246	2.0	1.0
Potatoes	77	120	238	307	9.7	5.2

Product	1970	1975	1980	1985	Annual Growth Rate (in percentages)	
					1985 1970	1985 1980
Pork on the hoof	16	43	57	89	12.1	9.4
Butchered poultry	20	57	91	113	12.2	4.4
Fresh milk	368	574	863	902	6.2	1.0

Table 4
Share of National Products in Domestic Consumption
(in percentages)

Product	1970	1975	1980	1985
Rice	48	53	50	56
Potatoes	71	81	86	91
Pork on the hoof	100	100	100	100
Butchered poultry		58	82	83
Fresh milk	87	92	96	96

The development plans that have been carried out in agriculture and livestock have made possible a steady growth in productive efficiency, which has in turn lowered the ratio of imported components per unit of production. The efficiency achieved in the five products mentioned above is shown in Table 5.

Table 5

Product	1970	Yields		
		1975	1980	1985
Rice (tons/hectare)	1.8	2.3	3.2	3.4
Potatoes (tons/hectare)	6.8	12.5	19.0	21.0
Fresh milk (daily liters/cow)	3.3	4.4	5.9	6.2
Poultry $\left(\frac{\text{Kg feed}^*}{\text{Kg meat}}\right)$	3.40	2.90	2.90	2.56
Pork $\left(\frac{\text{Kg feed}^*}{\text{Kg meat}}\right)$		4.55	4.12	3.42

*Feed made with imported raw materials

The results have been obtained as a result of the revolutionary government's sizable investments in soil preparation, irrigation systems, and the construction of dairy barns and other buildings for livestock and poultry; as well as the construction of thousands of kilometers of roads and highways; the creation of rural communities; the electrification of extensive rural areas; the introduction of mechanization and technology in the planting, cultivation and harvesting of agricultural products; the widespread use of intensive livestock raising techniques and the genetic improvement of livestock breeds; educational centers of higher learning and research; and the training and education of professionals and technicians in agricultural and livestock production.

Import Substitution in 1986-1990 and Prospects

Only a nation that is politically aware, engaged in direct construction, and in control of its own life and its future, can devise the proper strategy for what can and should be done in each stage of development, with a view to guaranteeing the future.

Hence the understanding of the strategic importance of Commander in Chief Fidel Castro's proposals at the closing of the 1st National Forum on Energy, in the summary of the 10th Plenum of the Central Committee, and in the speech he gave at the end of the 7th Session of the National People's Government Assembly.

In these speeches, Fidel outlined the basic conclusions reached by the leaders of the party, the state and the government in their analysis of the overall strategy for building socialism in our country.

To take firm steps in that direction, a strict order of priorities was established on the basis of the National Economy Plan for 1985.

The very first priority is the investments that will ensure hard currency income from exports or other sources, or those that will replace imports from the capitalist bloc.

Fidel has said: "We have really become accustomed to asking for imports. Every time we see a problem, we want to solve it with imports; every time we have a need, we want to solve it with imports. Sometimes we create needs that generate imports, and we almost never think of the opposite: generating products for export, generating exports. So the main thing is--and we have been working this already--not to waste a single minute.

"We had been striving for this all along, but now we must be much more conscientious, much more efficient, and much wiser about it. And in the investment plan, I reiterate that absolute priority must be given to products that replace imports or generate exports to earn hard currency. This is already known, and all these investments are being studied; they are top priority." (Footnote 4) (Fidel Castro: "1st National Forum on Energy," Editora Politica, Havana, 1984, pp 71-72)

In carrying out the approved strategy and the established order of priorities, the matter of import substitution is of vital importance and demands priority attention by all the factors--especially our party--that can influence its fullest implementation.

The agriculture and livestock and industrial development that the country has attained in the fundamental sectors of the economy has enabled the import substitution process (which was somewhat of a necessity in the first years of the revolution, and stemmed from the installation of new industries in later years) to become a part--with the significance attributed by Fidel--of the economic and social development plans of the 1986-1990 5-year plan and of the strategy through the year 2000. By that time, import substitution will have taken the form of specific programs in all basic production activities.

For 1986, 57 new industrial products are expected to be incorporated into the import substitution process, which will lead to a decline of 47 million pesos in total imports in hard currency for the year. To guarantee these results, working programs have been devised for each product, including the measures necessary for successful completion. These product categories do not include the replacement of some imports of agricultural origin by nationally-produced ones, which will also represent a significant amount.

One task which the agencies and enterprises in charge of the planning, importing, and circulation of the products scheduled to be imported in 1986-1990 will carry out immediately in conjunction with national production entities is the exhaustive analysis of the lists of imports. The purpose of this study is to determine the feasibility of producing such items nationally, looking at existing productive potential and that which is under construction. In this way, the ministries and enterprises of the production sector will be able to carry out the corresponding import substitution programs for the 1986-1990 5-year program.

One significant step in this regard, which we cite as an example of what can and should be accomplished, is the work of the State Technical-Material Supply Committee and the National Container and Packaging Commission. It has made this effort in connection with the Container and Packaging Program for the 1986-1990 5-year program, with the help of the Ministries of Light Industry, the Food Industry, Basic Industry, and the Steelworking Industry.

This work is aimed at reorganizing and expanding the investments set forth in the 1986-1990 plan, and at evaluating the measures taken to accelerate the investments or microinvestments that can be executed quickly in order to replace the most expensive imported materials (tinplate and steel sheet metal) with more economical ones, or to achieve major savings in the consumption of raw materials.

The principal objectives included in the import substitution proposal are:

--To introduce the production of composite cans and fiber cylinders to replace tin and steel containers, and to minimize waste in these components.

--To reestablish, expand, and make full use of the installed capacity of the glass container plants in San Jose and Las Tunas so as to eliminate imports of glass containers and ensure high quality.

--To increase the capacity to produce compressed aluminum tubes and metal lids in order to meet national demand and replace imports in these categories.

--To attain the installed capacity necessary to produce rigid aluminum tubes in order to eliminate imports.

--To produce smaller calibers of film for the purpose of cutting the consumption of imported plastic resins.

--To increase the production of plastic boxes and retractable film in order to replace imports of liner and wood.

The immediate advantages to the national economy that these replacements would yield would be reflected in the balance of payments; in an overall improvement of the economic efficiency of businesses, as more rational use is made of industrial facilities, and of agricultural production potential; in the expansion of sources of employment; in the increased specialization and skill of the labor force; and above all, in greater stability and security of supply sources.

8926

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CUBA

OBJECTIVES, SHORTCOMINGS OF WORKER IDEOLOGICAL TRAINING CENTERS

Havana CUBA SOCIALISTA in Spanish Mar-Apr 86 pp 115-128

[Article by Dr Mercedes Humpierre, official of the Department of Organization of the Central Committee of the Communist Party of Cuba]

[Excerpts] The socialist consciousness of the workers is essential in building a classless society. The basic nucleus of this consciousness is Marxist-Leninist theory and its underlying philosophical concepts. The consolidation of a high level of socialist consciousness and the maximum political and social participation by the masses make possible the development of a well-rounded individual, which is the fundamental objective of the higher level of society.

In the education of socialist man, the new social conditions and the way of life they create are decisive. But it is important to bear in mind that, as the Central Report to the 1st Party Congress states: "A communist consciousness does not follow automatically from structural transformations. It must be forged day after day in the living experience of the class struggle, in political education, and in national and international information." (Footnote 1) ("Central Report," 1st Congress of the Communist Party of Cuba. Published by the Department of Revolutionary Orientation of the Central Committee of the Communist Party of Cuba, Havana, 1975, p 218)

Consequently, the political education of the workers is the guide for the entire process of instilling the scientific approach to the world and communist morality.

The study of Marxism-Leninism is necessary, moreover, because the construction of socialism begins with men who emerge from capitalism, containing the virtues and defects that social system imposes on those who live within its material and spiritual framework. The revolutionary process leads them to rethink their ideas, convictions and attitudes, and to channel them more or less consciously toward promoting the development of the new society.

Contemporary history reveals that the higher the consciousness of the masses, the more persistent they are in their struggle to attain their objectives and to enhance them with creative activity. Thus, the men who base their activities on the scientific approach to the world exhibit a powerful and

comprehensive spiritual richness that is reflected in the natural and social environment, in political, moral, artistic and labor issues, and in daily life.

The significance of the scientific theory on which the ideology of the proletariat is based does not decline, but rather increases as the construction of socialism advances. The experience of socialist countries shows that the role played by the workers' consciousness is increasingly important in solving the complex economic, social and ideological problems that nations desiring to build a more just society must confront and overcome.

After the triumph of 1 January, channeling the enthusiasm of the masses who unstintingly supported the revolutionary measures became a top priority. It also became necessary to disseminate Marxist-Leninist ideas through the systematic study of philosophy, political economy, and some disciplines that are based on scientific communism.

To make a fundamental contribution to this task, in 1960 the Revolutionary Instruction Schools (EIR) were founded. In 1973 the party schools were begun, and in 1975 the Political-Ideological Continuing Education Centers (CSPI) were added.

The party schools' key objective is to provide political-ideological training and continuing education for the leaders of the grassroots party organizations and of the cadres of the party's municipal leadership bodies, the Union of Young Communists (UJC), and the mass organizations. In addition, in seven provinces people can earn a licenciado degree in Social Sciences at these schools.

Unlike the party schools, the CSPIs teach Marxism-Leninism to the members of the party "nucleos" and of the grassroots youth committees; the leaders of the grassroots organizations up to the municipal level in the CDRs, the CTC, the FMC, and ANAP; and the workers who are not members of the party but nonetheless exhibit a revolutionary attitude toward life.

In September 1985 the CSPIs marked their first decade of work. This period can be broken down into two stages. In the first one, from 1975 to 1980, the main effort focused on the organization and expansion of these schools; at present there are centers in every municipality of the country and for all Cubans who serve on internationalist missions in Angola, Ethiopia, Mozambique, Iraq, Libya and Nicaragua. During the second stage, from 1980 to 1985, the fundamental objective, without abandoning the aforementioned purposes, was to create the necessary conditions to promote a higher quality pedagogical-methodological effort. The goal was to carry out one of the tasks set forth at the 1st Congress: to turn these centers, along with the party schools and those of the UJC and the mass organizations, "... into model institutions of Marxist-Leninist education." (Footnote 3) ("Central Report," 1st Congress of the Communist Party of Cuba, op. cit. p 211)

The quantitative and qualitative scope of activities during the period from 1980 to 1985 was determined by an agreement by the Secretariat of the Central Committee regarding the "Development Policy of the Political-Ideological

Continuing Education Centers During the 1980-1985 5-Year Period." Another decisive factor was the projected enrollment figures drawn up by the individual provinces, based on the school years and the different types of courses.

From 1975 to 1984, the CSPIs grew at a rapid pace, from 27 in the 1975-76 school year to 207 in the 1984-85 school year. Enrollment also rose, from 5,930 to 84,198, respectively.

From 1975 to June 1985, a total of 596,901 students graduated from these centers, of whom 67.2 percent (401,686) went through the five courses offered between 1980 and 1985.

Party and youth members account for the largest number of graduates. The enrollment of workers directly related to the education of our people (teachers, professors, writers, journalists, jurists, researchers, scientists and artists) is gradually increasing. The number of workers directly involved in production, who represented 51 percent of the graduates in the last 5-year period, is also noteworthy.

The overall results in terms of promotion and retention are very positive. The promotion and retention figures rose from 85.3 percent and 89.2 percent, respectively, in the 1980-81 school year, to 95.5 and 95.9 percent, respectively, in the 1984-85 school year. The 8.4-percent drop-out rate for the five courses as a whole is mostly attributable to illness or military and agricultural mobilizations.

The work of the CSPIs is based on a fundamental principle of socialist morality: the development of a communist attitude toward work, and toward the tasks involved in the revolutionary transformation of the country. It should be noted that the workers attend these centers after normal work hours, and the teachers receive no material remuneration. Of the 209 centers, only 181 have a professional employee, the director.

During the 1984-85 school year, more than 4,517 activists taught in the CSPIs, and of them only 53 percent are professionals in the national education system. The other 47 percent come from other labor sectors; they are workers, professionals, technicians, providers of services, and administrative and political leaders. The task of teaching Marxism-Leninism is carried out by these comrades with objectivity and a party spirit.

Because the link between theory and practice is one of the principles of Marxist-Leninist education, a thorough presentation of theory as it relates to social practice is an essential objective of the teaching work in the CSPIs. For this purpose, a national system of continuing education for teachers has been organized. It enables participants to update their knowledge and delve into the theoretical content of the programs, and also provides them with methodological orientation that is more in keeping with our present conditions, as experience has shown.

The activities involved in carrying out the continuing education plan take place in the school of higher learning and the provincial party schools, as

well as the municipalities where the CSPIs are located. These activities are conducted by the most qualified specialists in each discipline.

The teachers' and students' familiarity with the economic, political and social situation in the territory, and with the principal tasks carried out by the party in this regard, serves to strengthen the link between theory and practice. The lectures and information provided periodically by the party cadres for each sphere of work, and the participation of the faculty in important assemblies and meetings in the municipality and in party work committees, are other means used to achieve the desired goal.

In this regard, the systematic utilization of the themes developed in the classic works of Marxism-Leninism and in party documents plays a key role. A comprehensive analysis of these texts contributes to a better understanding of the society in which we live, and of the nature of the tasks that have been undertaken. It also helps the students assimilate more deeply the postulates of Marxist-Leninist theory in connection with practical life and everyday reality.

The aforementioned activities influence the proper linking of the theoretical principles of Marxism-Leninism with the advances of science, the characteristics of the worldwide revolutionary movement, and the principal tasks demanded by socialism in Cuba and in the other countries that belong to the world socialist system. The idea is to counteract in this way the superficial, rote approach to instruction that divorces Marxism-Leninism from the theoretical nucleus, which is the basis of all actions by revolutionaries in the struggle for the new economic-social system.

This approach to political education, along with the knowledge with which workers are thus equipped, develops the personal qualities that revolutionaries need, such as the collectivist spirit, the desire to help comrades who are not as advanced, and a healthy pride in the accomplishments of the group. Good reading habits, systematic study skills, the proper oral expression of political ideas with coherent and logical arguments, and the ability to detect and combat any manifestation of anticommunism are intellectual skills which are developed in these courses.

The workers who attend the CSPIs are usually selected for their political militancy. In addition to the individual differences that can be seen in any classroom, in these centers one can also find differences arising out of the unequal development of intellectual capacities as a result of differences in age (between roughly 20 and over 60), social origin, occupation, and general and specific educational level in terms of political knowledge. In a single classroom there may be comrades with a 6th- to 9th-grade education sitting next to university graduates. There may be some who studied philosophy, political economy or scientific communism, while others have never had any systematic exposure to Marxist-Leninist theory.

A decisive factor in achieving the necessary quality of teaching in the CSPIs is the stability of the faculty.

The party believes that efficiency in the instruction imparted by the CSPIs is a key factor in ensuring that the workers are given adequate political training. If efficiency is measured, in general, by optimum results from a minimum rational investment, in the work of the CSPIs this quality is expressed in terms of the maximum assimilation of theoretical concepts linked to contemporary social practice. Presented by the faculty using the most appropriate methods, this material arouses the students' interest in studying while they are enrolled at the center and for the rest of their lives. It will also strengthen and solidify their convictions, and therefore their consciousness. The result will be better, more disciplined workers who are responsible and frugal, who are more concerned about contributing to the progress of their country, and who are more patriotic and internationalist.

The general nature of the material taught in the basic and medium-level courses and in the higher specialization, "Basic Knowledge of the National Economy," is complemented by the courses and subjects that are geared to specific spheres of work and political functions. These include the course for beginners (that in itself defines its objectives), methodological classes (run by the secretaries of revolutionary orientation of the party grassroots organizations), the high-level specializations in "Fundamentals of Production Leadership" and "Ideology" (established for workers who hold administrative or political posts in workplaces or for the leaders of grassroots organizations, party municipal organizations, the UJC and the mass organizations, who deal with ideological issues). In the next school year a course in "Agrarian Cooperation," aimed at peasants, will be added to the curriculum. In addition, the second cycle of seminars for general secretaries of party "nucleos" will also be offered.

Because of the organic structure that has been adopted, the CSPIs can carry out political education in any part of the country or any season of the year. At present there are 685 extension classrooms located in towns that are far from municipal seats, in the mountains, on the grounds of sugar mills in between harvests, in year-round production factories, on coffee plantations between harvests, on merchant marine or fishing vessels, and in other similar places.

These classrooms have enabled thousands of workers, including 7,373 involved in sugar production, to learn the theoretical principles that form the underpinning of the guiding role played by the Marxist-Leninist party and the essential orientation of work by the party's policies, through the study of the materials in the basic course or the beginners' course. Many workers have ended up studying philosophy and political economy, and some (although fewer in number) have managed to take one of the higher-level specializations. In addition, dozens of comrades who teach in the extension classrooms have expanded and strengthened their cultural awareness.

The CSPIs' task of imparting political education can be carried out only through the efforts of the teams of activists and collaborators who make up the party leadership bodies, including the Central Committee. In the provincial committees and nearly all the municipal party committees, a group of professors from the party schools, the centers of the Ministry of Higher Education and those of the Ministry of Education provide consultation on

methodology, run short courses and seminars for the faculty's continuing education, help prepare exams, visit classes for technical assessment, participate in inspections, and engage in many other tasks in their free time.

A look at the accomplishments of the CSPIs' decade of work reveals positive results. More than a half-million students have graduated from at least one of the five courses; the attendance, retention and promotion rates are favorable; more than 4,500 activists are following acceptable scientific standards in their teaching; the numerous national, provincial and municipal activities undertaken for the continuing education of the faculty are highly beneficial; the new courses and subjects, as well as the improvement of the curricula and programs, are contributing appreciably to the workers' economic and political consciousness.

But the progress made should not blind us to the fact that much remains to be done to eliminate deficiencies. These problems reveal a lack of understanding of the CSPIs' needs, and of the measures that could be taken to enhance their effectiveness.

In the evaluations that have been conducted, it has become apparent that in some classrooms the teaching-learning process is still carried out with schematic activities that have little to do with practical applications. Improvisation and the lack of continuity in the faculty are major factors in this problem. Both of these factors result to a great extent from deficiencies in the planning of the work or in the selection of faculty. If these comrades are ill-prepared or overworked and understimulated, they do not have any incentive to teach several courses in a row, to engage in continuing education, or to provide high-quality teaching.

In addition, some of the students do not have the required educational background, or are selected for a course even though they already know the material through prior studies, or their employment or party activity is not related to the instruction they will be receiving. These elements, along with the above-cited factors and the lack of internal motivation that many students initially suffer, cause them not to carry out their individual studies consistently or thoroughly.

Another deficiency lies in the presence of some curricula and texts which are not very instructive, obscure, and insufficiently adapted to the students' and teachers' real abilities and the objectives of these party centers.

Moreover, one rather negative facet of this effort is that some comrades are not demanding enough in overseeing the work, particularly because they are unaware of the significance and the characteristics of teaching methodology. For example, attendance is often taken (a very important matter, of course), but no attempt is made to determine whether the learning objectives of the scheduled activity were achieved, something which is even more important.

The policy for the 1985-1990 5-year period has already been approved; it reaffirms the need to continue striving to shape the CSPIs into educational institutions that are adapted to the degree of development in the country, with similarly satisfactory results in all provinces and municipalities and

all courses. In this way, their work will have a profound impact on the formation of our people's revolutionary convictions and attitudes, and on their ongoing education in the principles of communist morality.

For this purpose, special attention will be given to the selection of students, with a view to meeting the enrollment projections drawn up for the present 5-year period, without the aforementioned deficiencies. Another priority activity will be the organization of the second cycle of seminars for the general secretaries of the party grassroots organizations.

Other factors that will affect the quality of the CSPIs' work will be the improvement of planning, the consolidation of the teams of activists, increasingly rigorous classroom visits and inspections, the formation of methodology advisory groups at all centers, the guarantee that only those extension classrooms which meet the requirements will operate, and the enforcement of strict controls over resources, especially textbooks, through existing party mechanisms.

In addition, there must be greater internal consistency among the different programs and courses. The CSPI courses must be properly linked to others in the national educational system.

In the future, an effort should be made to include new subjects and specializations to contribute to the political education of the workers in certain sectors of the country who must be given top priority because of their responsibility in training the coming generations or in economic and social development.

8926

CSO: 3248/583

MEXICO

PROSECUTION INTRODUCES BANK RECORDS IN DURAZO CASE

Certificates of Deposit Presented

Mexico City EXCELSIOR in Spanish 27 Jun 86 pp 4-A, 35-A

[Article by Tomas Cano Montufar]

[Text] The Office of the Attorney General of the Federal District (PGJDF) yesterday submitted to the 26th common jurisdiction criminal court bank certificates of deposit that Arturo Durazo bought in the United States and Canada during his term as chief of police. The amounts are so high that "he could have obtained them only through extortion," which would be "conclusive evidence against him," asserted the representative of the office, Juan Miranda Collado.

Separately, the president of the Mexico City Bar Association, Roberto Pola Rodriguez, described as "unconstitutional" the ruling by 11th civil court Judge Antonio Espinoza in favor of Durazo Moreno, whereby he ordered Jose Gonzalez Gonzalez and Guillermo Mendizabal Lizarde, the author and publisher of the book "Lo Negro del Negro Durazo" [The Dark Side of Blackie Durazo], to pay him damages because they harmed the interests of the former police chief.

He explained that the right to sue cannot be granted to a person who is himself on trial, because by virtue of this simple fact he has lost his rights as a citizen. Much less can such a suit be decided in his favor. Sections 1 and 2 of Article 38 of the constitution state this very clearly, he asserted.

With regard to the trial of Durazo in the 26th criminal court on charges of threats that achieve their purpose in the form of extortion, Judge Maria de Jesus Medel Diaz yesterday conducted the 10th proceeding in the case, which most of the witnesses called by the government attorney did not attend. Those who did show up, Juan Alberto Millan and Arturo Murillo, who are former employees at the auxiliary offices of licenses of the defunct General Directorate of Police and Traffic (DGPT), declared themselves to be impartial and without involvement in the matter.

Nevertheless, the PGJDF feels that the bank certificates that have been submitted as evidence "will be hard to counter because they are conclusive."

Government attorney Miranda Collado submitted bank certificate number 0906809 of the Royal Bank of Canada, representing a \$1.13 million deposit in the name of Silvia Garza de Durazo, and certificate number 12634-00073 of the Bank of America, San Diego, California branch, representing a deposit of more than \$145,000. The deposits are dated 26 May 1981 and 5 days later.

Hard to Explain

Durazo Moreno, the PGJDF representative asserted, will not be able to satisfactorily explain how he obtained these amounts of money, because his pay as director general of police and traffic of the Federal District "could never have generated that much" even if very well managed.

The only explanation of how the former police chief kept such large accounts in foreign banks is that he resorted to illicit methods, such as blackmailing his subordinates, Collado said. The PGJDF will thus be able to sustain its charge of extortion threats.

(Even before he was arrested in San Juan, Puerto Rico, Durazo Moreno had also been accused of the crime of tax evasion by taking his money out without paying taxes. This charge is not reciprocated in U.S. legislation and, therefore, was not grounds for extradition. Even though this crime is very common among "international" wrongdoers, governments do not include it in their extradition treaties because they regard tax policy as a complex, domestic and private matter.)

Durazo Moreno's defense team refrained from commenting on the addendum that the PGJDF made to the file, as attorney Juan Velazquez said that "first we will have to analyze it carefully."

Salaries, Bank Deposits Compared

Mexico City EXCELSIOR in Spanish 28 Jun 86 pp 5-A, 35-A

[Article by Ignacio Herrera]

[Text] Gen Ramon Mota Sanchez, the head of the Secretariat of Safety and Roadways, has submitted to the government attorney attached to the criminal court in which Arturo Durazo Moreno, the former Mexico City police chief, is being tried, a list of the salaries that Durazo received during the 6 years that he headed the DF police force. The total is 2.6 million pesos, which is not in keeping with the dollar deposits that he made overseas.

The certified copy that the secretary of safety and roadways sent to the PGJDF shows that Durazo Moreno earned 2,697,531.76 pesos as director general of the DGPT from 1 December 1976 to 30 November 1982.

The government attorney argued that the total pay he earned during his 6 years as chief of police is less than the amount he deposited in dollars (which has been shown to exceed \$1 million) in his wife's name and, therefore, "he obviously had to resort to criminal conduct."

The report was prepared by the General Accounting Directorate of the Federal District, based on the receipts signed by Durazo Moreno as head of the DGPT. After withholding for benefits and taxes, the net amount is what is shown in the document that Mota Sanchez submitted to the PGJDF.

Juan Miranda Collado, the government attorney attached to the court in which Durazo Moreno is being tried, reported that the certified list of salaries shows a total of 2.6 million pesos, which is completely out of line with the sizable dollar deposits that the former police chief made in the Royal Bank of Canada and a San Diego branch of the Bank of America.

According to the receipts signed by Durazo Moreno, during his first month on the job (1 to 31 December 1976) he earned 26,320.80 pesos; in 1977, 335,110.10; in 1978, 393,549.86; in 1979, 418,875.30; in 1980, 467,918.59; in 1981, 527,000.74, and in 1982, up to 30 November, 528,756.51.

In addition, the government attorney submitted as evidence to the court the books written by Durazo Moreno's chief of assistants, Jose Gonzalez Gonzalez, "Lo Negro del Negro Durazo" and "Lo que no dije del Negro Durazo" [What I Didn't Say About Blackie Durazo], so that the author can confirm his charge and so that the court can assess them as evidence. The books have earned Gonzalez Gonzalez more than 50 million pesos.

If, as Gonzalez Gonzalez has said, he is willing to confirm in court the charges that he made in his books against Durazo Moreno, then they will stand as irrefutable evidence, inasmuch as they have been made public and will have "probatory value." He need only confirm in court what he revealed in his famous books.

Lastly, Miranda Collado indicated that the PGJDF has gathered additional documentary and oral evidence against the former police chief to prove that Durazo Moreno made his sizable fortune illicitly.

Durazo Aides Deny Wrongdoing

Mexico City EXCELSIOR in Spanish 4 Jul 86 pp 5-A, 33-A

[Article by Rafael Medina Cruz]

[Text] Daniel Molina Miranda, the former private secretary of Arturo Durazo Moreno, and Arturo Marban Kurczyn, the former operations director of police and traffic and former head of the central office of licenses, who according to investigations by the PGJDF were given the money that Durazo Moreno demanded from his subordinates, denied having been conduits for the money and asserted that the charges are slanderous and motivated by revenge. Durazo Moreno is charged with extortion threats and stockpiling of weapons.

Durazo Moreno's two former colleagues, who are regarded as key witnesses in the trial, appeared at the 26th common jurisdiction criminal court right on time, 1000 hours, in response to a first summons.

Molina Miranda said he was 48 years old, married, taught at a teachers training school and was a native of Chichihualco, Guerrero. After he was read the statements in which the Auxiliary Police commanders implicated him as the person who received 2.8 million pesos quarterly under threat of being fired, he clarified:

"I have listened with particular interest to the contents of the statement signed by the Auxiliary Police commanders. I do not know either of them personally. I never had direct or indirect dealings with them. I never received money nor was I a conduit for deliveries to Arturo Durazo Moreno. I have never been a depository of either properties or fees [alcabalas]."

Daniel Molina, who dictated directly to the typist at the 26th criminal court in the presence of presiding Judge Maria de Jesus Medel Diaz, remarked that "this attempt by the people who prepared and made (the charge against Durazo) to implicate me is bizarre, fraudulent and perverse. During my time at the DGPT I spurred on the battle against the bad elements who were engaged in harmful practices."

Molina Miranda, who scheduled Durazo Moreno's meetings, among many other obligations, remarked that the deposition by the Auxiliary Police commanders "contains various contradictions, in my judgment."

"They say that they handed over money to Durazo through me as of December 1976. But I began working for Durazo Moreno as his personal secretary on 22 December 1977.

"Another contradiction," according to Molina Miranda, "has to do with the claim that that situation (giving money) stopped when Gen Enrique Soberanes Gamboa took over. There were two other directors of the Auxiliary Police before him."

According to Molina Miranda, Raul Perez Arceo lied when he testified that he had given money to Molina Miranda in Durazo Moreno's absence. Perez Arceo later retracted his statement in court, declaring that he had been pressured.

"There are no ties of friendship or of any other kind between me and Raul Perez Arceo," Durazo Moreno's former private secretary indicated. "I categorically deny having received money to be delivered to Durazo Moreno."

"There Was Ill Will Towards Me"

To the surprise of those in attendance and without anyone asking him for an explanation, Durazo's former colleague added:

"I would like to specify vigorously and categorically that the attempt to connect me with the charge that Gen Raul Perez Arceo has made against Mr Durazo Moreno has a very different motive. It has to do with my trial on charges of negligent homicide 11 years ago in 16th common jurisdiction criminal court, with Judge Irma Galvan Monroy presiding.

"The judge, advised by Justice Victoria Adato the widow of Ibarra, sentenced me to 20 years in prison. The Superior Court of Justice annulled the sentence, regarding it as unjust, unfounded and illegitimate, and reduced it to 2 years."

Molina Miranda, who made a copy of his case file and asked to have it added to the court documents, asserted that "ever since Victoria Adato de Ibarra took office as attorney general of the Federal District and Irma Galvan as assistant attorney general, they have manifested their ill will towards me and out of revenge have implicated me in the case now under investigation."

Judge Maria de Jesus Medel Diaz agreed to include the documents that Molina Miranda submitted and continued the hearing after listening patiently to the witness.

In the wake of the testimony by Durazo Moreno's former colleague, government attorney Juan Miranda Collado asked several questions, which the judge rejected, regarding them as out of order.

Molina did respond, however, to another question, indicating that before working for the DGPT, he was the secretary of the chairman of the Grand Commission of the Senate in 1972 and 1973. Afterwards, he explained, "I went back to my home state, Guerrero, to take care of some farm matters until 1975. Then, I served my 2-year sentence in the Oriente Preventive Penitentiary, until July 1977. Two months later, I went to work as the private secretary of the director of the Mexico City police."

He said that he had been offered the job by Durazo Moreno, who told him that he was doing so in recognition of his responsibility and talent. He worked in that capacity until November 1982.

He denied at all times that he had received money for Durazo Moreno and contended that he never saw any amount handed over to his former boss.

Molina Miranda's testimony lasted 2 hours.

Marban K. Testifies

Appearing before the judge, Arturo Marban Kurczyn said that he was 45 years old, married, a Catholic, had completed 3 years of professional schooling and was a native of the Federal District.

With regard to the facts (he also allegedly demanded money from the heads of the license offices on Durazo's Moreno's instructions), he said that during the year and 7 months that he ran the offices, he never asked his subordinates for money and much less were they threatened with firing.

"All of the changes that were made (just two during his term) were on instructions from the police director. I didn't make changes as I pleased. I couldn't because I didn't have the authority to."

He acknowledged that he had agreements with the heads of the license offices, but explained that they were for dealing with matters relating to the services they performed.

He denied that he had agreements with the director general during the time that he headed up the central license office, saying that that was the case only when he was promoted to operations director.

He indicated that he met Durazo Moreno in 1960 when Durazo worked for the Federal Police and he for the Federal District Police.

"We became friends and later, when he became director, I was invited to work with him."

He said in conclusion that he left the police force on 15 December 1982, submitting his resignation to Gen Ramon Mota Sanchez.

"Why did you do that?" asked the prosecutor.

"Precisely to hand myself over to the courts and clear all this up."

At the close of the proceeding, Durazo's Moreno's attorneys, Juan Velazquez, Xavier Olea, Raul Trujillo Guarneros and Jose Gomez Mont, commented that Daniel Molina's testimony exposed the fact that the former attorney general of the Federal District, Victoria Adato de Ibarra, and the former assistant attorney general, Irma Galvan, were involved in the case against the witness.

Asked at the close of the hearing whether he was still a friend of former President Jose Lopez-Portillo, Durazo Moreno said: "I'm a friend of Mr Lopez-Portillo. I can't deny that."

"What do you think of what Gavin said about the former president being one of the richest men in the world?"

"That's political stuff. I don't get involved in that. That's their business."

"How are you doing in prison? Are they treating you well?"

An annoyed Durazo replied: "What do you mean, how are they treating me?...Like any other inmate. You feel more at home in Mexico than anywhere else."

Deposit Slips Introduced

Mexico City EXCELSIOR in Spanish 10 Jul 86 pp 4-A, 35-A

[Text] Government attorney Juan Collado Miranda, who is attached to the 26th criminal court, yesterday submitted the bank deposit slips that Arturo Durazo Moreno, the former police and traffic chief, filled out in the United States and Canada in 1982. They total \$7,875,175.12.

At a hearing that began yesterday at noon the prosecutor asserted that the dollar deposits that Durazo Moreno made in foreign banks in April and August of 1982, as certified by the slips, far exceed the amount of money he declared for income tax purposes.

At the current exchange rate the amount deposited comes to 4.977 billion pesos. The government attorney stated, however, that the amount could double if the other slips for the deposits that Durazo Moreno made in U.S. and Canadian banks were to be obtained.

According to the list of documents appended to the case file, the deposits were made in the National Bank of Canada, the Royal Bank of Canada and the Bank of America in San Diego, California.

Arturo Durazo Moreno and his wife Silvia Garza made a 2-month fixed term deposit of \$5 million in the National Bank of Canada. The transaction was dated 3 May 1982 and the check number was 32683. The interest after 60 days was \$118,000.

The following deposits were also made at the same bank on different dates: US 32700 for \$1 million; US 32791, \$170,000; US 32684, \$170,000; US 32705, \$100,000; US 32708, \$170,000; US 32736, \$83,000; and US 366675, \$10,000. The total comes to \$1,703,000.

Also appended to the file was the document by which a bank account was opened at the Royal Bank of Canada. Checking account number 0906809 was opened with a deposit of \$1,127,172.15.

Finally, account number 126034-00073 was opened at a San Diego branch of the Bank of America with a dollar deposit of \$45,000.97.

The documents that government attorney Juan Collado Miranda has submitted seek to demonstrate that Durazo Moreno had amassed an enormous fortune through illicit activities. For example, his home at kilometer 23.5 on the federal highway to Cuernavaca was officially appraised at 29 million pesos when it in fact cost more than 400 million pesos.

8743

CSO: 3248/585

MEXICO

AUTHOR OF DURAZO EXPOSE ORDERED TO PAY DAMAGES

Penalty of at Least 50 Percent of Profits

Mexico City EXCELSIOR in Spanish 24 Jun 86 pp 5-A, 29-A

[Article by Rafael Medina Cruz]

[Text] The judge of the 11th Civil Court, Antonio Espinosa Rosales, announced a verdict against Jose Gonzalez Gonzalez and Guillermo Mendizabal Lizalde, the author and editor of "Lo negro del Negro Durazo" [The Dark Side of Blackie Durazo], who will have to pay a fine of at least 50 percent of the profits from the publication, since, he ruled in his judgment, the former police chief suffered injury to his feelings, relationships, financial position, honor, reputation and private life.

The administrator of justice based the verdict issued on 4 June on the amendments to Article 1916 of the Civil Code, which provide as follows:

"The moral renewal of Mexican society demands a firm awareness on the part of each of its members such as to prevent his conduct from injuring or affecting others unjustifiably. Each individual has a moral duty to develop within society without causing harm to his peers, while if he does so, his moral duty must be reflected in a legal obligation to compensate the victim of his conduct."

In the view of the civil judge, Jose Gonzalez Gonzalez and Guillermo Mendizabal failed to prove any of the statements made in the book to the competent authorities, and they are therefore, under the terms of Article 1916 of the Civic Code, liable for reparations for the injury in terms of a monetary fine, which will not be less than 50 percent of the amount obtained from the publication of the book, so that this former official can, in so far as possible, recover his good name in the eyes of society, even prior to economic compensation for the injury.

In the verdict handed down by Espinosa Rosales, Jose Gonzalez Gonzalez was described as a "mythomaniac, since everything set forth in the oft cited book is the product of his disease."

Durazo Moreno was outraged at this statement, according to the complaint submitted to the judge of the 11th Civil Court in September of 1985. The following, among other things, was stated therein, as recorded in the file:

"Portrait of Arturo Durazo

"Blackie Durazo was a real 'yokel,' never earned very much and had no intellectual training. He was known as a bully, but he did not even manage to be a good gunman. When I met him," Gonzalez Gonzalez said in his account, "he was working as bodyguard for one of the most notorious underworld figures Mexico has ever had, one who was imprisoned, for various crimes, along with Hugo Olvera, in the Black Palace of Lecumberri. His name? Manolo Prieto.

"Durazo always tried to conceal his dubious origins, so that he never mentioned his place of birth or his family background. He never lived with his family nor did he recognize close relatives. He was always alone, and he lived in a very unprepossessing and ramshackle neighborhood squeezed into the confines of Antonio Macedo 43, in Tacubaya.

"He lived in near poverty, pursuing the life of a lower-class bully in neighborhoods frequented by 'toughs.' His haunts were always the cheap bars and low-class dance halls, where he prided himself on being the best 'twister' (one who attacks from the back) in the country. And that is true, because he was not honest enough to fight. He was always what is popularly known as a 'gandalla,' in other words a hick."

In the opinion of the judge, all of the above did injury to the honor, reputation and private life of Durazo Moreno.

The file on the verdict, made up of 31 legal sheets, was divided into sections based on the account given by Gonzalez Gonzalez, and after analyzing certain passages, the judge ruled that Durazo Moreno had suffered injury.

Trouyet Family Connection

"Once he had become an agent of the Federal Police, (here his account contains the word 'pendiente' [pending], whereas it should correctly read 'dependiente' [under the jurisdiction of]) the Office of the Attorney General of the Republic, he advanced rapidly to the command post of that body at the Mexico City international airport because of the contacts he had always had with the drug traffickers in the country.

"In that post, he devoted himself to making use of politicians and well-known individuals to bring large quantities of smuggled goods into the country. These individuals included the members of the Trouyet family. For example, the notorious magnate Don Carlos always protected him, using his influence and his money for the purpose, and he paid him splendidly for his very special talents."

The judge explained that through these paragraphs, Jose Gonzalez Gonzalez did injury to the honor and reputation of Durazo Moreno.

But the quotation of passages from the work continued.

Durazo's Hideaway

"In those distant years," Gonzalez Gonzalez reported in his book, "Blackie began to build his modest little 'hideaway' at the 23.5 kilometer marker on the highway between Mexico City and Cuernavaca, where, through the aid of his influential friends, he had purchased 10,000 square meters of hillside property, more than 1,000 meters back from the road, with access through a ravine.

"Never could I have imagined that this 'little property' might in the future be the site of facilities which would cost more than 10 million pesos. This was a turning point for Blackie, because he decided to indulge his whim and build a castle there, which, as is publicly known, he succeeded in doing. However, he did not assess the base actions or the human misery which would be required in order to carry out his plan."

Again, the judge determined that the above "also did injury to the private life, honor and reputation" of Arturo Durazo Moreno.

An Ignominious Project

"During this period, Durazo and his wife, who had now lost all touch with reality because of the power he enjoyed and the fabulous sums of money Blackie was receiving illegally, had occasion, as an amusing sideline, to buy some common public land in the highest part of Ajusco.

"Their purpose was to build a lodge of the Swiss Alpine type, a perfect complement to their little hideaway at the 23.5 kilometer marker on the highway between Mexico City and Cuernavaca.

"To each user of this common land, Blackie paid more than it was worth, and to avoid later problems and to cover his back, he involved them in his 'transactions.' He said to them look, Don Chon, or look, Don Juan, I will pay you very well for the land, but also, you have a daughter, a son, don't you? Good, because I'll see that they are put on the police roster, just for the salary.

"Naturally, they all agreed, but 8 or 10 weeks later, Blackie called them and said, in his typical bumpkin fashion: Look, Don so-and-so, you won't make a fuss about your little plot of land, because your son is committing a crime by accepting a salary from the government without working, and I could send him to the penitentiary at any time. And I am only telling you this in case one day you don't want to deal with me anymore...

"His wife, with the architectural complex which was her passion at that time, because there was work underway at the 'little hideaway' at the 23.5 kilometer marker costing thousands of millions of pesos--a casino, race track, discotheque, artificial lakes, a farm, etc.--began to decide on what the arrangement of her lodge would be.

"Durazo said to the architect, Vazquez: 'Let's see, how many people will you need?'

"Well, to finish when the lady wants (about 8 months), I will need a minimum of 150 workers,' he responded.

"By tomorrow, you'll have 650 policemen here.' 'Perfect, general,' the architect said, and he added: 'Where do you want the access road to bring in the material, then?'"

The account went on to say the Durazo's wife protested and said she did not want a road, because "people will immediately flood in," so that the policemen "had to carry the materials in on their backs."

The judge determined that all of the above, written by Gonzalez Gonzalez, also "did injury to the honor, respect, reputation and private life of Arturo Durazo Moreno." All that Gonzalez Gonzalez wrote in his book, in the opinion of the judge, because he could not prove it, did harm and injury to the honor of Durazo.

Final Passage Cited

"And so, in the midst of constant alarms because of what was happening in the DGPYT headquarters, he ended his 6-year term, to the benefit and relief of the citizenry. And Blackie Durazo (like his crony Sahagun Baca) fled with his great friend and protector, Jose Lopez Portillo, beyond our frontiers, leaving behind him a legacy of rottenness and corruption, dictatorial power and scandal. Obviously he was not concerned about the judgment of history, much less that of the citizens of Mexico--you, me, all of us who believe that 'we are all the solution.'"

The judge stated in the verdict that this damaged the reputation of Durazo Moreno, and went on to add:

"It is clear from the passages quoted in this document that Mr Jose Gonzalez Gonzalez prided himself on a perfect knowledge of the life of his superior, and he situated him in places and situations where it would have been physically impossible for him to be because of the work he was doing.

"What the author has said prevents his superior from enjoying such basic rights as life and physical safety, since the publication of the book does damage to the intangible and invisible area of Mr Arturo Durazo Moreno's personal life, and in addition, it is worth reiterating, affects the public social area, since it does injury to reputation and, until such time as the truth is publicly explained, inflicts moral injury on Mr Durazo Moreno. The above wrongs him and does damage to his family and friendly relations, and even threatens his financial stability, since his superior was known as a public official and, with the publication of the book in reference, his image in the mind of the public at large was tarnished by the falsehoods written in the document which is the basis of this action.

"Moreover," the judge added, "the author attributes to Mr Arturo Durazo Moreno an unbecoming vocabulary which is not typical of him.

"It is obvious," the judge of the 11th Civil Court said, "that the author, Jose Gonzalez Gonzalez, is a mythomaniac, since everything set forth in the oft quoted book is the product of his sickness, because everything mentioned in the book would require proof."

The judge also stated in his opinion that "This responsibility is 'extracontractual,' and the illegality of the conduct of the present defendants, Jose Gonzalez Gonzalez and Guillermo Mendizabal, which constitutes a civil crime, is fully established."

With regard to the civil issue, Durazo's lawyers, Raul Trujillo Guarneros and Lorenzo Oropeza Hernandez, announced that another petition of the same sort has been filed in the 7th Court, where a case concerning the film "The Dark Side of Blackie Durazo" is currently being heard.

"We also hope for a winning verdict," they said.

Author Denies Intention of Paying

Mexico City EXCELSIOR in Spanish 26 Jun 86 p 22-A

[Text] "I am prepared to confirm and sustain each of my charges, and I will present myself before whatever court so requests to demonstrate who Arturo Durazo is. If he has no shame, the less honor there is to restore to him," Jose Gonzalez Gonzalez, the author of the book "The Dark Side of Blackie Durazo," said yesterday.

Suffering from hemiplegia and almost blind, Jose Gonzalez Gonzalez, nervous and visibly indignant, said that moral rehabilitation has not occurred or produced any effect in the case of his former commander, who, he gave assurance, continues to have the influence and money needed to manipulate situations, as in the case of the judge of the 11th Civil Court "who sentenced me to make reparation for the injury he says I did to Durazo Moreno." "Let the authorities do what they want, I will not give him a cent," he emphasized repeatedly. And he went on to explain that thanks to clever maneuvering in the 11th Civil Court, "I was not told anything. They said I had to appear-- this was published in edicts--and I ask myself, who the devil reads edicts? All of this was arranged from above."

Gonzalez Gonzalez added that the money he has received as royalties on the book he wrote has been used for what he called social projects. "I have helped many former comrades, students, workers and peasants. I spent my money from the book on this," he said.

From the film made on the basis of the book "The Dark Side of Blackie Durazo," he explained, he has only received about 3 million pesos, although it is said that he has earned more than \$2 million in Los Angeles, California. "The producers have given me only 8 percent of what was earned, and I am continuing to wait," he emphasized.

Concerning the attack of which he was the victim at the Perisur shopping mall, where he was beaten by several individuals and received injuries which may now leave him blind, the former chief of Durazo Moreno's escort would not make any direct accusation. "I have no proof," he said. He added that "I want to live in peace, but I am prepared to defend my family at the cost of my very life. I do not want anything to happen to my wife and children," he stressed.

Moreover, in an interview at the 26th Criminal Court, the former chief of police in the capital city, Arturo Durazo Moreno, said: "I am not interested in the money. What I want is not to be viewed as a monster, because I am not. My family, my wife, my children--they are the ones who have been most seriously affected by this filthy, wretched little book."

And he went on to say: "Gonzalez Gonzalez can never prove that what he wrote is true, because everything he said there is lies. He has not a single bit of evidence of what he said in the book. It is all false," he concluded.

Competence of Judge Disputed

Mexico City PROCESO in Spanish No 505, 7 Jul 86 pp 18-20, 22-24

[Article by Federico Campbell and Oscar Hinojosa]

[Text] In the inopportune legal battle he initiated against the author and editor of the book "The Dark Side of Blackie Durazo," Arturo Durazo Moreno has only won the first round, thanks to the judgment handed down by the civil judge who ruled that this book caused moral injury to the former chief of police in the capital. However, various stages still remain in the predictably extensive legal process, which might well have an outcome unfavorable to Durazo.

The court suit initiated by Durazo is no more than a straw in the wind.

Four lawyers who are experts on the subject involved in the trial have studied the juridical concept of moral injury in effect since 1 January 1983 and, except for one, they have analyzed its application to this specific case.

The first Mexican attorney to acquire a doctorate in law, Humberto Briseno Sierra, maintained that a civil judge such as the individual who ruled in this case is not qualified to deliver the verdict to the effect that the book which was written by Jose Gonzalez, the former chief of Durazo's aides, and edited by Guillermo Mendizabal, the director of controversial television programs, did moral injury to the former official.

Along this same line of thinking, Mariano Albor Salcedo, who is a candidate for a law degree and has been a university professor for almost a quarter of a century, explained that the illegality of the text by Jose Gonzalez "should have been established by a criminal court, which could have declared it defamatory." Since no such determination was made, he said, "It will be necessary to wait for the court of appeals to correct the verdict by the judge of the primary court of claims."

In the view of attorney Ramon Obon Leon, the legal director of the General Association of Mexican Writers (SOGEM), the verdict against the book "The Dark Side of Blackie Durazo" raised the issue again of the need for clear legislation on such concepts as pornography and violation of "morality and proper usage," in order to avoid dealing in ambiguity.

Criminal lawyer Jesus Zamora Pierce set forth the two high-level principles which come into conflict in connection with the concept of moral injury--the right to express opinions freely and to print, edit, publish and distribute them, which is guaranteed by the constitution, and the right to privacy and confidentiality.

Attorney Briseno Sierra, who is the author of a number of treatises on procedural law, explained that the determination that moral injury was caused does not fall within the scope of civil law, although the determination of reparations for such injury does. "If a publication does injury to the dignity and honor of a citizen, we are dealing with a case of defamation, and by virtue thereof, it must be brought before a criminal judge, and as far as I know, this has not happened," he explained.

Albor Salcedo noted a procedural error in the filing of the court suit by Durazo. "He should have gone first to the criminal authorities, and if they had established the illegality of the text, then he would have had the right to file a civil complaint," he said.

Briseno Sierra recalled that Article 1916b of the Civil Code provides for an exception where moral injury is concerned. It states that "Those exercising the right to free opinion, criticism, expression and information in accordance with the terms and limitations set forth in Articles 6 and 7 of the General Constitution of the Republic will not be liable for reparations."

Briseno, Albor and Obon, when interviewed separately, all disagreed with the interpretation of Civil Judge Antonio Espinosa Rosales, who expressed the view that books are not covered by this exception.

"Books are included under the exception, because opinions, criticism or information can be set forth in the form of journalistic articles, pamphlets or books."

"According to newspaper reports, the judge believes that books are not covered under the exception set forth in Article 1916b.

"In this case, I disagree entirely with this interpretation. There is no exclusion for books. The right to freedom of opinion can be exercised in writing or orally. It may take the form of a document, a tape recording or a book. Neither the size, nor the form, nor the time interval in which criticism, an opinion or information is set forth matters," attorney Briseno Sierra said.

We asked in what, if any, cases a book in particular could be excluded under this legal provision.

"The fact that a book, pamphlet, a sheet of paper, a flier or a newspaper article is involved does not mean that it would be absolutely excluded. Any of these could be excluded when the right to free critical expression is exercised in accordance with Articles 6 and 7. If he does not commit libel or slander, any citizen has the right to express himself. And where libel is involved, this must be established by a criminal judge. Now then, in the case of the book involved in litigation, I believe that it is a factual volume, because the author described a series of events in which he participated, of which he had knowledge or which he witnessed. I do not believe that it is a doctrinary book setting forth opinions. Nor is it criticism, because it does not set forth justification for rejecting a line of conduct. Moreover, it deals with matters which are past history. I believe that it would fall in the information category."

We asked what would have to be done, in the event that the events described in a book are known only to the author and the person described, in order to establish who is telling the truth if a discrepancy exists.

"We would be dealing with two opposing statements. If there is a lack of testimony or means of corroborating one statement or both, they would simply cancel each other out. It would be a question of assertions made by an individual who had no evidence to bear out what he said."

We asked how a judge could then rule in a case of opposite opinions, that is to say when it is a question of the word of one party against that of the other.

"In order to have such a ruling, there would have to be criminal judgment establishing that a given book is unlawful. For if a civil judge takes a book, reads it through and says that this book does moral injury, he is handing down a criminal verdict. Such a judge does not have the jurisdiction to do so. I do not understand how an individual who does not have criminal jurisdiction can hand down a verdict in a matter of this nature."

Briseno Sierra, who holds the degree of doctor honoris causa from various Latin American universities and who has been a professor selected through competitive examination for 30 years, teaching constitutional law and the theory and technique of amparo [an order issued by a federal court to another court or public authority or official, e.g. habeas corpus, injunction] at the UNAM, explained that in order for moral injury to be inflicted, two conditions are necessary. One is that the feelings, relations, beliefs, honor, respect, reputation, private life, etc., of an individual be affected. And the other is that this moral injury be caused by means of an unlawful act. If an individual is so affected legally, no moral injury exists, he explained.

Briseno Sierra illustrated this with an extreme example. If in pronouncing sentence, a judge says that a certain citizen has committed a shameful and immoral act, this will certainly do harm to the name and the honor of the individual in question, but no one would think of accusing the judge of inflicting moral injury, because in issuing the sentence, he was carrying out a legitimate action.

The first Mexican doctor of law imagined another hypothetical situation. "If a private secretary were under obligation--and this would have to be established--to conceal the reprehensible actions of his employer, but made them public, he would be committing an unlawful deed. But it is very unlikely that this could occur, because he would be going against the spirit of the criminal law which orders us to report the crimes about which we know. If I know someone who has committed a crime, it is my duty to report him. If I do not do so, I may even make myself his accomplice. Now then, a question arises. In what cases is it the duty of a subordinate, a relation or a colleague to keep silent about the illegal deeds of which he knows? I would say in no case, except those involving professional confidence. Except in these cases, how can someone commit a crime if he is required to report the crimes of which he knows?"

We asked if a judge could be brought to trial for handing down a judgment in a case in which he has no jurisdiction.

"A judge issues a verdict and if it is improper, there are other means of recourse to which one can turn. A court will review this. And there is also the injunction. But until the last step has been taken, we do not know. It may go as far as the Supreme Court. It cannot be said that the judge committed a crime. A judge can only be taken to court when he has not carried out his duty, but I do not believe that this is the case. The author and editor of the book will certainly challenge the verdict through the proper channels. For the time being, we must await the decision of the higher court."

The Legality Issue First

When informed of the concern aroused among writers, journalists and researchers by the verdict handed down by Judge Espinosa Rosales, attorney Albor Salcedo explained that there would be reason for concern if only a single judge considered the case in the court process. But since court trials represent "a legitimate debate in order to establish the real meaning of the juridical norms," a number of levels and judges participate therein. "If a single judge were involved, we would be terrified. But beyond the decision of the civil judge there will be that of the three justices sitting on the higher bench, and beyond their decision there will be a constitutional analysis of the appellate verdict. There is no reason to be alarmed when the decision of the higher courts in the land is not yet known."

Based on newspaper reports, Albor Salcedo said that "There is a lack of full understanding by the judge of the legal concept of prejudiciality, a rather complex phenomenon which has been little studied." It means that in the case of the book "The Dark Side of Blackie Durazo," as was said before, there should have been a preliminary statement of illegality by a criminal judge before a civil judge could hear the case.

Albor Salcedo added that "It is common for judges of the first instance to lack a full knowledge of the juridical institutions. Often they recognize this themselves, to the point that the Court of Justice of the Federal

District itself, regardless of the academic rank its officials may have achieved, regularly offers advanced juridical training courses."

In his statement on the discussion which the decision by Judge Espinosa Rosales has provoked, the legal director the SOGEM warned that the ambiguities in some legal texts might become shackles limiting freedom of expression. Concerned because of this, he urged the greatest clarity in legal texts dealing with individual rights.

They must be specific, he said, because "The laws are general and not concrete as to cases, and therefore when it is necessary to issue a verdict on a specific deed, one enters into the realm of casuistry, and the decision is left up to the judge."

Attorney Obon Leon explained that on the basis of the information available to him from a reading of the newspapers, this case "was decided in default, meaning that the defendant did not appear in court, and this was interpreted as acquiescence to the complaint. The parties accused were notified by edict, with the justification that their residential addresses were not known, contrary to what the defendants assert. If the author and the editor are right on this point, then there was a procedural violation, and juridical recourse does exist for having the trial declared invalid and going back to the beginning."

Obon Leon urged that journalists and writers support their research on public figures "with documents and serious witnesses or publicly known facts, in order to avoid incurring the penalties for which the laws provide, because it is here that freedom of expression comes into conflict with other individual guarantees." The legal officer of the Mexican Writers' Association does not agree with the interpretation of Judge Espinosa Rosales to the effect that Article 1916b on reparations for moral injury pertains only to newspapers and magazines and excludes books.

Zamora Pierce, in turn, differentiates between the Latin and the Anglo-Saxon juridical contexts. "In Mexico there is only recognition of material damage, such as that caused by an automobile collision, but with regard to moral injury, there only exists a norm establishing reparations in a proportion of 25 percent with regard to material damage. This is a system different from that practiced in the United States, because there, in the pragmatic Anglo-Saxon society, moral injury can be quantified in dollars, to the extent that many court cases become real business negotiations."

"In the Latin cultures, we believe that moral injury cannot be given a value in pesos and centavos," Zamora Pierce said.

Article 1916 of the Mexican Civil Code, which has been in effect since 1 January 1983, provides that moral injury means "the suffering experienced by an individual in his feelings, relations, beliefs, honor, respect, reputation, private life, physical appearance or form, or in others' opinion of him."

But to suffer an effect on one's feelings, honor, respect, or reputation, "It is necessary first that one enjoy respect, honor, and reputation. A person

who lacks reputation, or who has a very bad one, cannot claim he has been affected," he added.

Without specific reference to the case involving the book "The Dark Side of Blackie Durazo" ("because I do not know about it in detail nor have I read the verdict"), attorney Zamora Pierce spoke about the general problem and the fact that a conflict unprecedented in Mexican legal practice is involved. He sees another line in Article 1916, that which provides that "The judge will decide on the amount of indemnification," as important.

"The law does not establish a norm for us. Previously there was a limit--25 percent of the material damage. Now the decision is independent of material damage, and the judge can order whatever reparations he sees fit. It is no longer impossible, as it was before, for a judge in Mexico to establish the level of responsibility and the amount of the reparations, taking the rights violated into account," Zamora Pierce said.

No one in Mexico can go to a court and demand a given quantity of money as reparations. This is something left up to the determination of the judge.

Article 1916b, on the other hand, says that "Those exercising the right of freedom of opinion, criticism, expression and information, in accordance with the terms and limitations set forth in Article 6 and 7 of the General Constitution of the Republic, will not be liable for reparations for moral injury."

Article 1916 provides for an exception. It was sent to the congress in 1982 as a part of a legislative package of amendments to the Civil and Penal Codes termed a "gag law" by the press and challenged by a number of groups of journalists.

Two Freedoms Clash

Zamora Pierce, who was criminal law coordinator for the Bar Association at that time, made his services available to journalists, offering to defend them in any criminal suits which might be filed against them. Pressure from journalists and lawyers resulted in the elimination of the criminal aspect of so-called "moral injury," but its civil aspect survived.

"A case which is resolved on the basis of this Article 1916 will place the constitutional right of the authors of books to freedom of expression in jeopardy in the higher courts, even the Supreme Court," Zamora Pierce says.

In his view, two rights clash here--the right to reparations for injury and the right to freedom of expression.

Article 6 of the constitution says that "The statement of ideas will not be subject to any court or administrative investigation, except in the event that an attack on the morality or rights of third persons leads to a crime or disturbance of the public order. The right to free information will be guaranteed by the state."

Article 7 of the constitution says that "The freedom to write and publish writings on any subject is inviolable. No law or authority can order prior censorship, require a guarantee of authors or publishers or limit the freedom to print, which has no limit other than respect for privacy, morality and the public peace."

One would have to ask if a book denouncing unjust actions which injure society affects the morality or private life of an individual.

"In the United States moral injury is recognized, and innumerable verdicts have established something very interesting. The right of any citizen to privacy is one thing, while the right of a public official, such as the president, Maradona or a film actor, to privacy, is another, because these are individuals who live in the public eye. Thanks to the view of the North American courts, the privacy of an ordinary citizen is much better protected than the privacy of a public figure. They almost go so far as to say that a public figure has no private life," Zamora Pierce commented.

And he explained that in Mexico, since the legislative amendment is very recent, there have not been very many cases making it possible to shape a definite doctrine or principle of jurisprudence.

"What the courts decide is of great interest, because what they decide, the verdict handed down by the Supreme Court within a year or two in connection with the injunction, will serve as a precedent. But nothing has been written or discussed about this problem of moral injury, simply because it has not come up in our Mexican law. It will also have to be established whether or not the public has a legitimate interest in knowing about the conduct of those holding public office," Zamora Pierce said.

Since the beginning of 1983, when Article 1916 went into effect, books on the theater, fictionalized reports and essays written about real events and referring to individuals by their own names have been published in Mexico.

"It has not occurred to anyone to file a complaint, because in the mind of the Mexican citizen, moral injury is not associated with economic compensation, as is the case in the Anglo-Saxon cultures. The Latin citizen regards his reputation as something on which no monetary value can be placed. And this is a basic difference between the Anglo-Saxon and the Latin cultures," attorney Zamora Pierce said in conclusion.

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NICARAGUA

ONOFRE GUEVARA DISCUSSES NONSANDINIST TRADE UNIONS

Managua BARRICADA in Spanish 11 Jul 86 p 3

[Article by Onofre Guevara]

[Text] On 5 and 6 July we published a summary of the round table on the role of trade unions in the revolution, held on 27 June at BARRICADA's instigation. This meeting brought a variety of ideas out into the open--ideas which were essentially contradictory in some cases, and a little less so in others. But these views definitely revealed some very clear political positions.

Points of agreement? Yes, there were some. But they were limited to rhetorical support for the revolution from everyone. Still, that is a starting point for moving toward more real support, though there are some very specific questions about the future to be resolved. For the time being, there are a number of obstacles.

Nonetheless, underlying all the different positions was one fundamental factor: everyone proclaimed his loyalty to the interests of the working class. To what extent and how that loyalty is translated into reality is another matter. We will try to consider some of these "other matters" now.

One of the first consequences of the inconsistency of proclaiming one's loyalty to class interests, while at the same time limiting one's actions is--in our view--that the leaders of the nonsandinist trade unions see the revolution in its current phase as a source of economic solutions and not as a political instrument to be used for the historic transformation of the people, the workers, and the nation.

For this reason, those leaders are emphasizing immediate economic demands, disregarding fundamental political and military tasks created by the specific conditions in which the revolution has to take place, much despite what we would all like. Therefore--as Carlos Gallo pointed out--those leaders are spending more time debating the organizational format of the revolutionary state than its essence. And that causes anyone--no matter what his political position may be--to waste time talking idly about secondary aspects, while neglecting the historic project entailed in the process. Thus the process is viewed solely as a situation that has been settled once and for all.

This doesn't mean we are accusing them of being apolitical or of not having a political position. Rather, we are saying that their political vision is limited to immediate demands. A good example was the case of Carlos Salgado, the CGTI leader, who tried to base his criticism of the revolutionary leadership on the fact that the FSIN [Sandinist National Liberation Front] does not have an organized format which he considers to be the perfect one, thereby invalidating everything else. He said that the Front has a national leadership and not a system of organizations governing themselves through democratic centralism, as he interprets it; therefore, he considers it automatically disqualified from being a party representative of the working class.

What does that mean? That the pseudo-theoretical schematicism has blinded him to reality. What difference does it make that the revolution "is a round peg and doesn't fit in a square hole"? If it is to be an authentic revolution it must have its own physiognomy and be shaped by the historic conditions prevailing in the place where it develops.

Those who read the account of the round table will have observed the overemphasis on the topic of trade unions in a nation in a state of revolution which is also in a war situation, to the point of questioning the political leadership. This is indicative of the fact that they are unable to see the forest of the revolution for the tree of unionism. In other words, they have gotten bogged down in a concept and practice of unionism rooted in the capitalist system which the revolution has already abolished, and they can not deal with a class-based revolution, as it doesn't fit their ideological model. In their view, the main thing is the union struggle for immediate gains, ignoring the historic mission of the workers to transform society structurally, then afterwards to give full satisfaction to their economic and social needs. That doesn't mean that those needs are being overlooked or not attended to now, despite all that must be done.

If they can get a piece of bread, it doesn't matter to them that the bakery is being destroyed in the process, even though later they won't have any way of baking future pieces of bread. Such an attitude--of course presented figuratively here--has brought them to proclaim their rhetorical support for the revolution, while their position with regard to the revolutionary state is helping--whether intentionally or not--to weaken it. In the name of a revolutionary ideal, or of an ideal revolution, they are neglecting to strengthen this specific revolution, with all its contradictions, its problems, its enemies, its defects, its tentative gropings, and its limitations.

But that is the way revolutions are; they are not always what we would like them to be. The essential thing is that there must be a political and military authority organized to defend the workers' and peasants' interests, and to uphold the interests of manual laborers and intellectuals, who will correct errors along the way, rather than lamenting the fact that the revolution does not completely match all the images we may have seen in our dreams.

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CSO: 3248/580

NICARAGUA

SLAUGHTER OF CATTLE SAID TO CONTINUE DESPITE PROHIBITION

Managua EL NUEVO DIARIO in Spanish 15 Jul 86 pp 1, 8

[Text] Members of the Meat Dealers' Association of the Eastern Market, along with Edwin Gonzalez, a local sales official of ENAMARA, have stated that clandestine cattle slaughters, including breeders and males which should not be killed, are continuing. They allege that the Livestock Protection Law, which was passed on 1 February 1986, just exists on paper and is not being enforced.

Nubia Sanchez, president of the Meat Dealers' Association of the Eastern Market, and Angela Orozco, reported that in some parts of Managua hot meat is being sold from cattle slaughtered secretly, while they--about 180 meat sellers--have been facing severe shortages in their supplies for about 3 months, while their taxes and stall rental fees have gone up.

They charged that one of the places where this slaughter is taking place without authorization from the General Livestock Office or from any other office of the MIDINRA is the National Livestock Auction Center, where anyone can go to buy and then secretly slaughter whatever he purchases, as there are no real controls in force there.

They asked what MICOIN is doing, as it has not closed meat outlets in the neighborhoods where hot meat coming from secret cattle slaughters is being sold. They have publicly asked whether the Sandinist Police or municipal leaders can authorize cattle slaughters.

Indiscriminate slaughter is taking place in Los Corteses, in Los Laureles near Villa Libertad, in the area along the shores of Lake Managua, in Veracruz, Ticuantepe, and some other nearby places. And not only useless animals such as cows, bulls, and oxen are being slaughtered, reported other sources.

Close the Auction Center!

The meat dealers have asked the MIDINRA authorities to close the National Livestock Auction Center, as they feel it is the source of this indiscriminate slaughter problem.

The general manager of the Auction Center, Reynaldo Lacayo, was interviewed. He said that "they are not selling or buying meat, but are only providing a service and facilities for small and medium-sized livestock dealers, and that they only earn 4 percent of the total sale price for each animal auctioned."

In June prices quoted at the Auction Center--before ENAMARA published its official price list for livestock dealers on 9 July--were up to 600 cordobas per kilo. This made the meat prices consumers had to pay higher, charged other sources.

Lacayo Defends Himself

According to Mr Lacayo, who has worked in cattle auctions for many years, it is possible that some persons who buy here may secretly slaughter some cattle, but he assured us that a good percentage of the purchasers are buying young bulls to put out to pasture, and are not slaughtering them.

In his view, the underground slaughters in Region III were organized after the old Managua municipal slaughterhouse was closed. He suggested that the MIDINRA should give permission to slaughter cattle sold at the Auction Center in the IFAGAN, in order to control slaughtering for domestic consumption and to maintain more hygienic conditions.

About the charges of slaughtering in the Auction Center, he said that it was true that every week about two or three catttle are slaughtered there, with authorization from the Sandinist Police--located opposite the market--but only animals that were injured. "We give the meat to the employees," he said very seriously.

He commented that anyone could buy a head of cattle there and slaughter it, for example to hold a barbecue, as that is not prohibited.

Obsolete Price List

Concerning the ENAMARA 9 July price list, he said that its prices were obsolete, because those prices were already being paid at the Auction Center, although not the incentives in dollars. He added that ENAMARA is unable to supply the local market as its facilities were designed for export meat sales, and it has very high slaughtering and storage costs.

He denied that breeding cows were sold at the Auction Center, saying: "It is an insult to a cattleman if people believe that he would slaughter a breeding cow that costs between 150,000 and 200,000 cordobas."

He indicated that a young bull to be put out to pasture has no meat, and that no one will kill a bull like that, because it would mean losing money.

Lacayo said that an ENAMARA inspector, Vicente Hernandez, visits the Auction Center on Mondays, Wednesdays, and Fridays, precisely to prevent any irregularities from taking place there.

He suggested that the market should be organized more efficiently and more realistically, "because the same price can't be charged for a young bull as for a cow. Such a policy leads only to unauthorized slaughters."

Operational Figures

He reported that between January and June 1986 24,187 cattle had been auctioned, some for slaughter and others to be put out to pasture. In January alone 5,692 cattle were auctioned before the new ENAMARA prices came out, while in June 4,101 cattle were sold before the current price list was issued.

In order to supply Managua with meat, he said that at least 400 cattle had to be slaughtered every day. At present "several thousand" are sold each week. However, just last Friday the total batch being sold was a little more than that amount.

The Law is Only On Paper

But Edwin Gonzalez, an ENAMARA official, said that even breeding cows and males that should not be slaughtered are being killed, and that it is essential to apply the Livestock Protection Law integrally, with its full force.

At present, said Gonzalez, that law is only theoretical, as in practice agencies which are not empowered to do so, according to the law's provisions, are authorizing people to slaughter cattle.

He stated that legally only the MIDINRA's General Livestock Office has that power, and that MICOIN can close or fine meat sales of dubious origin, because ENAMARA is now distributing refrigerated meat--not hot meat--since the slaughterhouses have not been handling much meat.

He indicated that in order to supply markets and supermarkets, ENAMARA had to have 250,000 pounds of industrial export meat (cured meats, shoulder sections, and "raton" [mouse?]) which was already in the port of Corinto, and is being distributed on an equitable basis between 7 and 18 July.

Although he said he did not favor closing the Auction Center, he noted that it is essential to maintain better control of that market. Because of price controls, he did not agree that livestock sold at the Auction Center should be slaughtered at the IFAGAN, as Reynaldo Lacayo had suggested.

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CSO: 3248/580

PERU

FINANCE MINISTER REPORTS ON ECONOMIC PROGRAM RESULTS

Industry, Wage Figures

Lima EL COMERCIO in Spanish 13 Jul 86 p F-2

[Text] The chairman of the Council of Ministers and minister of economy and finance, Luis Alva Castro, has declared, as his office reports, that, as a result of the implementation of the government's economic program, "during the first 12 months of administration, the country has regained its lost health and economic stability again." The statement, which reached this editorial office on Friday night, was made during a working meeting held by the economic team with the production ministers.

He disclosed in his remarks that, according to the latest evaluations made by INE [National Institute of Statistics], during the first half, the gross domestic product had "undergone a growth of approximately 3.6 percent over the previous year; also showing a positive trend which augurs better gains by the year's end."

The report notes that the productive sectors that have shown a positive progress, based on a comparison between the first halves of 1986 and 1985, are: fishing (61.2 percent), basically because of the larger anchovy catch; construction (12.3 percent); electricity generation (7.3 percent); manufacturing (7.1 percent); and commerce (4.4 percent). On the other hand, there were declines in agriculture and livestock (0.4 percent) and mining (-6.5 percent).

It was added that the de-seasonalized GDP shows an upward trend, with 8.3 percent for the first half, in comparison with the second half of 1985.

As for employment, the minister commented that, in Metropolitan Lima, between July 1985 and July of this year industrial employment rose 4.8 percent, employment in the commercial sector increased 2.4 percent, and the increment in services was 1.9 percent.

The minister cited the following with regard to the purchasing power of wages:

The salaries of educational workers increased 101.2 percent in face value, while inflation totaled 60.2 percent, "which enabled them to recover 25.6 percent of their consumption capacity."

The minimum living wage rose 94.4 percent, which in real terms represents 21.3 percent.

In real terms, the wages and salaries in the private sector increased by 14.3 and 17.0 percent, respectively, during the period under analysis.

Public administration workers, except for teachers, also recovered their purchasing power by 17.0 percent, in real terms.

On the anti-inflation front, Alva Castro claimed that, during the first 11 months of government, the cumulative inflation, quantified through the Metropolitan Lima consumer price index, amounted to 60.2 percent, representing a monthly average of 4.4 percent.

According to the INE, the consumption groups that underwent increments exceeding the general price index were: food (71.0 percent); education (88.7 percent); food and beverages away from the household (84.6 percent); and other services (76 percent).

In this connection, Minister Alva noted that, during this analyzed period, a change occurred in relative prices; while the prices of agricultural and livestock goods evolved by 109 percent, the prices of agroindustrial goods increased by only 31 percent, and those of manufactured goods, by 38.8 percent, thereby changing the traditional terms of exchange.

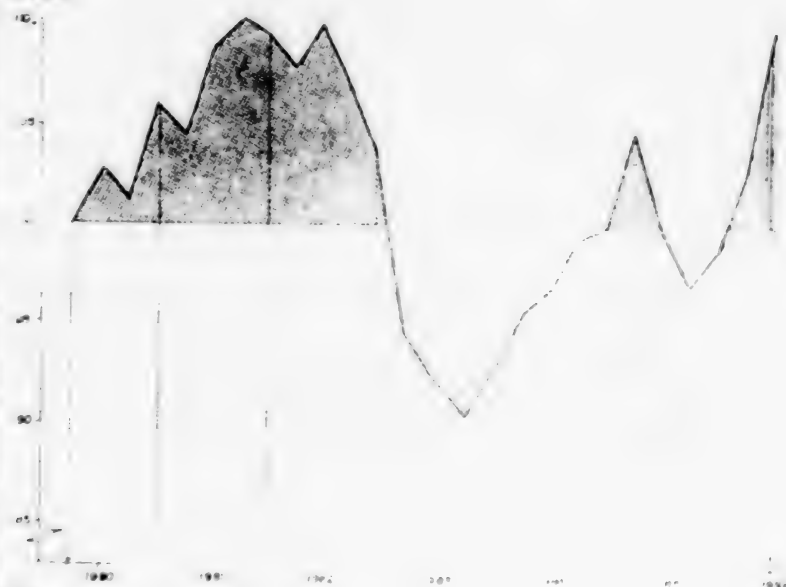
The chairman of the Council of Ministers concluded by stating that, "The gains were the result of a program that had been prepared with great dedication and effort by the APRA [American Popular Revolutionary Alliance] government's national planning commission, starting 3 years before the 1985 general elections."

In the text, it is added that, "Now, there will be some who try to suggest that the results accrued are based on better weather or some other circumstantial cause. We, on the other hand, know that they are a direct consequence of the heterodoxical, deeply national, and avowedly popular course of action that we began on 28 July of last year. Hence, no one should be surprised, because, just as we said that the IMF's prescriptions were denationalizing our economy, strangling the productive sectors, and impoverishing the population. we also discerned that a policy of a different type could surmount those problems. Today, the statistics prove the correctness of those proposals, which for some time have been written in many reports and set forth at countless conferences which we members of the economic team held before we joined the government."

(1) CRECIMIENTO DEL PBI

(2)

ANÁLISIS



(3)

FUENTE: INE, VENTIL MESA A...

(4)

Las proyecciones del INE indicarian un crecimiento del PBI en el primer semestre de 1986 comparable a las cotas de 1981. La base empleada por el INE es de 1979. (Elaboración de la Oficina de Comunicaciones del MEF).

(1)

CRECIMIENTO DEL EMPLEO INDUSTRIAL EN LIMA METROPOLITANA

(2)

ANÁLISIS



(3)

(4)

(5) (6)

(7)

(8)

La oficina de comunicaciones del MEF entregó esta gráfica sobre el crecimiento del empleo industrial en Lima Metropolitana, entre 1985 y 1986.

26 August 1986

Key to Graph 1:

1. Growth of the GDP, 1980-1986
2. Index No
3. Source: INE, De-seasonalized Series 1979 = 100.0
4. The INE projections would indicate a growth in the GDP for the first half of 1986 comparable to the 1981 levels. The base used by INE is 1979's.
(Processing by the Ministry of Economy and Finance Communications Office)

Key to Graph 2:

1. Growth of Industrial Employment in Metropolitan Lima, 1985-1986 (base: July 85 = 100.00)
2. Index No
3. Aug
4. Sep
5. Dec
6. Jan
7. Apr
8. The Ministry of Economy and Finance Communications Office provided this graph on the growth of industrial employment in Metropolitan Lima between 1985 and 1986.

Further Details

Lima EL NACIONAL in Spanish 12 Jul 86 p 3

[Text] The chairman of the Council of Ministers and minister of economy and finance, Dr Luis Alva Castro, claimed that, as a result of the implementation of the government's economic program, during the first 12 months of administration, the country has regained its lost health and economic stability again.

The prime minister made this statement during the working meeting held by the entire economic team that he heads with the production ministers. Participating in the meeting were the president of the Central Reserve Bank, Leonel Figueroa; the vice minister of economy, Gustavo Saberbein; the vice minister of finance, Jorge Ordonez; the president of the Bank of the Nation, Adan Seminario; and Ministers Jose Palomino Roedel and Wilfredo Hualta.

Alva Castro undertook to provide a total assessment of the results from the economic sector, which he backed with the presentation of the economic indicators on production, employment, income, and inflation. He asserted: "In all these areas, the figures show undeniable positive results."

Production Recovering

In this respect, the minister announced that, based on the latest evaluations made by the National Institute of Statistics, the nation's gross domestic product during the first half of this year underwent an approximate growth of 3.6 percent over last year; also showing a positive trend that augurs even better achievements by the year's end.

According to the information supplied by the prime minister, the productive sectors which have shown a positive progress, based on a comparison of the first halves of 1986 and 1985, are: fishing (61.2 percent), essentially because of the larger anchovy catch; construction (12.3 percent); electricity generation (7.3 percent); manufacturing (7.1 percent); and commerce (4.4 percent). The sectors with a declining performance were agriculture and livestock (0.4 percent); and mining (-6.5 percent).

Rise in Employment and Income

Alva Castro maintained that another standpoint from which one notes the recovery process is that of the performance of employment and income. He remarked: "An economy that is not growing does not demand a larger number of workers. If the productive system were not growing, it would not be consistent for employment to grow; however, what is happening in our country is a gradual process of productive reactivation that is 'pulling' employment and income."

The prime minister said that this situation could be observed by analyzing the employment indexes on the country's largest labor market, that is, Metropolitan Lima. According to these indexes, between July 1985 and June of this year, industrial employment increased by 4.8 percent, employment in the commercial sector rose by 2.4 percent; and the increase in services was 1.9 percent.

"Another of our specific goals, announced by the president of Peru in his message to the nation on 28 July, was that we would not allow the disintegration of the purchasing capacity of Peruvians. The figures available as of June warrant the observation that in this area also, the government's first 12 months have been fruitful."

Inflation Under Control

Another topic analyzed by the prime minister in his remarks at the economic meeting was the analysis of inflation. In this regard, he said that the performance of inflation was based on the policy of cost reductions that had been enacted, cutting the interest rate and freezing foreign exchange. He claimed that the results are evident to everyone.

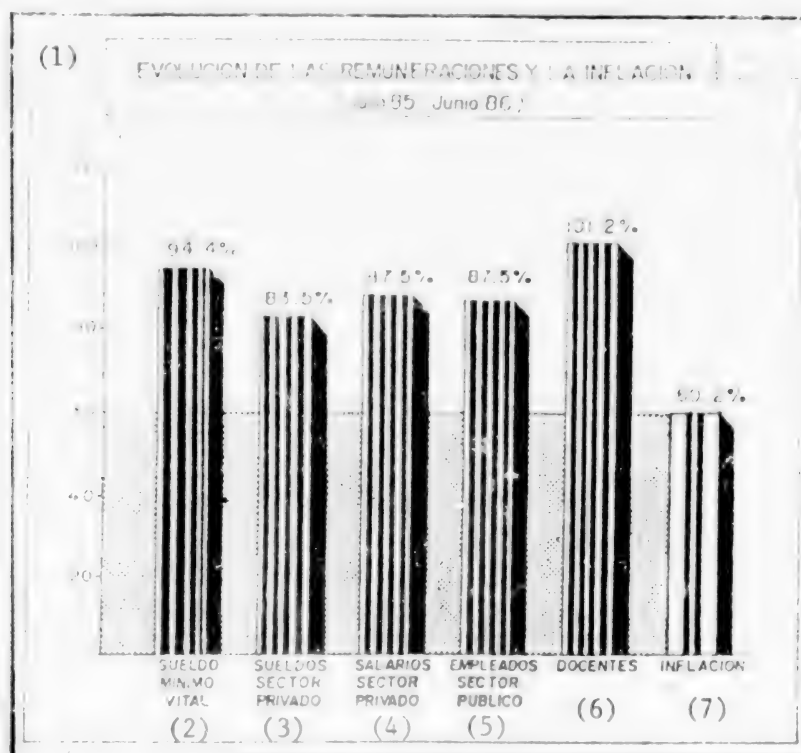
For example, during the government's first 11 months (July 1985 to June 1986), the cumulative inflation quantified by the consumer price index for Metropolitan Lima totaled 60.2 percent; representing an average monthly rate of 4.4 percent.

An Economic Policy With Grounds

In concluding his outline of the current economic picture, Alva Castro asserted very emphatically that the achievements were the result of a program that had been prepared with great dedication and effort within the APRA government's National Planning Commission, starting 3 years before the 1985 general elections. "Now, there will be some who try to suggest that the results accrued are based on better weather or some other circumstantial cause. We, on the other hand,

know that they are a direct consequence of the heterodoxical, deeply national, and avowedly popular course of action that we began on 28 June of last year.

"Furthermore, this would not have been possible if we had not limited the payment of the foreign debt, because what we are investing now in our own development is merely what was going to our creditors in the past, in the form of remittances and payments of principal and interest."



Key to Graph:

1. Evolution of Wages and Inflation (July 1985-June 1986)
2. Minimum living wage
3. Private sector wages
4. Private sector salaries
5. Public sector employees
6. Teachers
7. Inflation

2909

CSO: 3348/731

PERU

IMPORT, EXPORT FIGURES, OTHER ECONOMIC INDICATORS EXAMINED

Lima PERU ECONOMICO in Spanish No 7, Jul 86 pp 7-9

[Text] On 3 July, the announced increases in the free availability of foreign exchange were approved -- passage from the MUC [preferential foreign exchange] to the financial market -- for nontraditional exports and for sales abroad corresponding to small- and medium-scale mining. Simultaneously, 69 tariff items were transferred from one market to the other. The time between the announcement of the measure and its implementation had to do with disagreement among economic officials, which fact postponed the decision until it was determined whether or not it was best to sell expensive foreign exchange for more imports, in what proportions and what they would be.

On the one hand, the deputy minister of economy proposed increasing only free availability for exporters, reluctant as he was to affect imports, due to the fact that the exchange variation would result in inflationary pressures due to higher costs of imported goods.

For its part, the BCR [Central Reserve Bank] defended the need to transfer 30 percent of the tariff items to the financial market, claiming that if the transfer were not made, then the increase in free availability for exporters would force the Central Bank to purchase a greater percentage of these on the financial market at a rate of exchange 25 percent higher than the rate at which foreign exchange is sold for normal imports. This cost would create greater pressures -- in addition to those already existing -- on the availability of credit which might be granted. Furthermore, the BCR deemed that the percentage of transfer proposed, in addition to covering the imbalance accumulated in these accounts by this type of operation, would cause additional inflation of only 4 percent in the months ahead.

Finally, approval was given to the transfer of some items, but whose value, according to BCR figures, would amount to under \$20 million for the entire year. The final result is that the tariff items that would not have access to preferential foreign exchange, MUC, represent less than 1 percent of the estimated value of imports for this year, as a result of which the inflationary impact will be nil. However, the measure eases the foreign exchange drain, inasmuch as there is a greater negative balance on the "free" market and the type of consumer goods transferred to the financial market makes them liable to increased smuggling.

In referring to the impact of the measure on the financial system, the issuing institute calculates that in 1986, nontraditional exports will be on the order of \$700 million and those of small- and medium-scale mining \$300 million, in other words, something over \$500 million for the rest of this year. Given the most recent increases in free availability, nearly \$70 million in addition would enter the financial market during the second half of 1986. Given the difference between the export value that goes to the financial market and the corresponding import value, the BCR would have to buy, between July and December of this year, a net balance of some \$60 million, which would cost it nearly .210 million intis. In having to finance this amount, the BCR earmarks its advances for other items.

Furthermore, the increase in the free availability of foreign exchange -- from 10 to 30 percent for exports of small- and medium-scale mining and from 30 to 40 percent for nontraditional exports -- has meant, in the former case, an increase in the effective nominal exchange rate -- from the last variation in percentages of participation in the financial market occurring in mid-February -- of only 5 percent, given a domestic inflation rate of nearly 20 percent. Exporters of nontraditional products, for their part, receive, with the new measure, a nominal increase in the rate of exchange of scarcely 2.5 percent, a level far below domestic inflation. The relationship between the exchange movement and the movement of prices represents a loss of some 15 to 17 percent in the real purchasing power of each dollar obtained by each sector.

The list of imported products that must be purchased in dollars from the financial market includes 50 percent consumer goods, 20 percent intermediate goods and 30 percent capital goods, led in value by foreign newspapers and periodicals, electronic calculators, typewriter ribbons and certain types of fruit.

Main Tariff Items Transferred to Financial Market

<u>Estimated Annual Value of Imports Transferred</u>	<u>Items of Greatest Worth Within Their Classification</u>	<u>Est. Annual Value (Thousands of \$)</u>
Over \$1 Million	Daily newspapers and printed publications	4,300
	Remainder of grapes and raisins	1,700
	Electronic calculators	1,500
	Ribbons	1,200
\$500,000-\$1 Million	Heaters (other than water)	700
	Items for ball point pens	700
	Speakers (other than for telephones)	700
	Other electrical/mechanical domestic appliances	550
Under \$500,000	Cash registers	500
	Low-frequency electronic amplifiers	500
	Components (sound recording, reproduction)	400

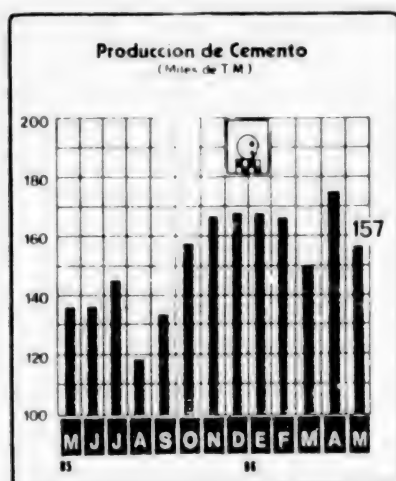
Source: MEFIOFINE

Put together by: Apoyo, Inc.

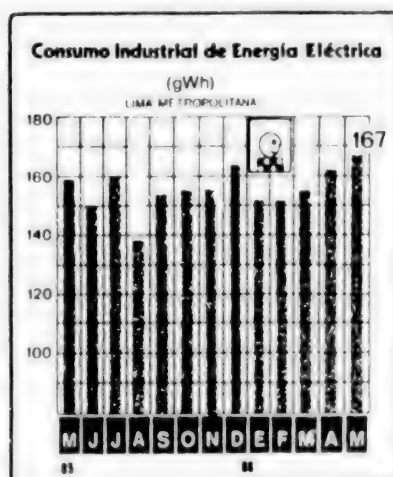
Industrial Production

Liquid steel production of SIDERPERU [Peruvian State Iron and Steel Enterprise] continued to fall in May, while the blast furnace received its maintenance work. However, company officials do not believe that this will affect the normal supply of domestic demand in the months ahead, inasmuch as SIDER has a sufficient supply of semi-finished steel bars on hand. The volume of flat products sales continued to rise in May, reaching 8,300 metric tons, 20 percent over the monthly average of last year. At the same time, sales of construction bars rose nearly 40 percent over the previous month. It is likely that sales will continue to rise in the months ahead, due to the increase in demand and the low supply of these products during the first quarter of the year.

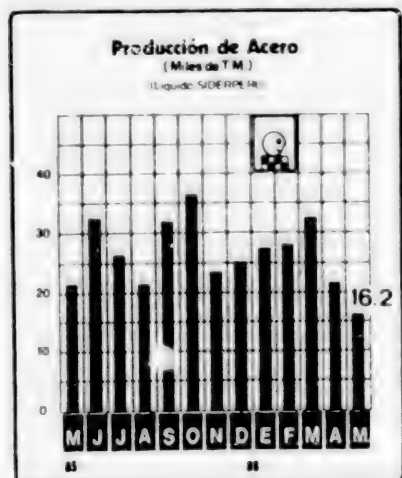
Cement Production (Thousands of Metric Tons)



Industrial Electric Power Consumption (Gigawatt-hours), Metropolitan Lima



Steel Production (Thousands of Metric Tons), SIDERPERU, Liquid



Cement production also fell in May (down 10.3 percent compared with April), although sales maintained the high level achieved in April: 170,000 metric tons.

In addition, industrial consumption of electric power rose 3 percent in May compared with the previous month, amounting to 167 gigawatt-hours, the highest level of the past 1.5 years. The greatest increases of the month came about in the chemical industry and in the oil refineries, whose consumption was relatively low in April due to labor problems, in the case of the former, and La Pampilla maintenance service. Industrial electric power consumption during the first 5 months of the year was 5.7 percent greater than that of the same period of the past year.

Money and Credit

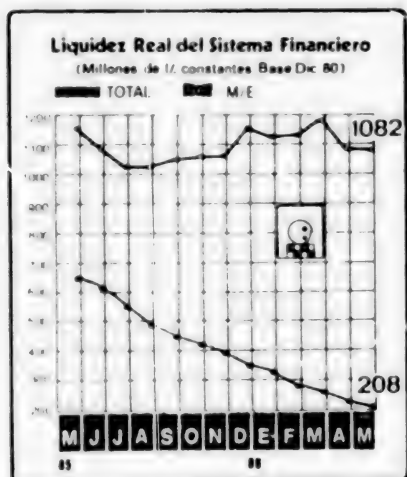
During the month of May, real liquidity of the financial system remained constant. However, since this is a seasonally low month with respect to demand for liquidity, the figures reflect a growth of 2.5 percent in deseasonalized terms, despite a drop of over 6 percent in liquidity labeled in foreign money.

Growth in term deposits, mainly in the nonbanking system, explains the revival of liquidity. Apparently, the last readjustment in interest rates yielded by this type of deposit, especially long-term, stimulated such behavior. In addition, the reduction in inflationary expectations as a result of the lower inflation rates of April and May (4.1 and 3.3 percent respectively) also contributed to the slight recovery of liquidity.

With respect to credit of the banking system, the latter rose 4.8 percent in real terms in May, reversing the drop of the past month. However, the revival was due more to a strong drop in the negative net flow of banking credit to the public sector than to any growth in investments aimed at the private sector.

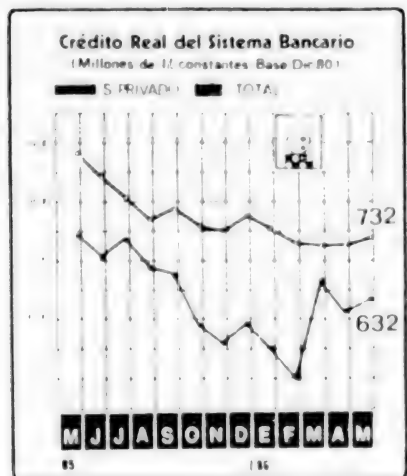
The latter rose scarcely .7 percent in real terms, with commercial banks demonstrating the greatest vigor.

Real Liquidity of Financial System (Millions of Constant Intis, Dec 80 Base)



M/E = Foreign Currency

Real Credit of Banking System (Millions of Constant Intis, Dec 80 Base)

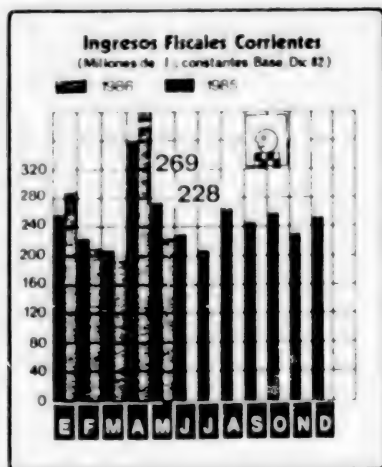


S. Privado = Private Sector

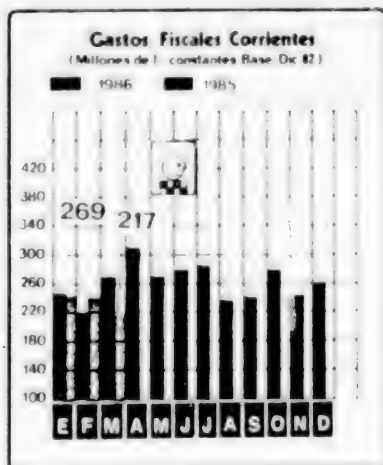
Fiscal Accounts

Based on the latest information available, regular income of the Central Government in the month of May totaled 1/.3,307 million. No comparison should be made with how much was collected in April because that is an atypical month, inasmuch as it concentrates payments for income tax. Compared with March results, the amount collected in May is 6 percent higher in real terms. This seems to reflect the level of economic recovery, although it is only

Regular Fiscal Income (Millions of Constant Intis, Base Dec 82)



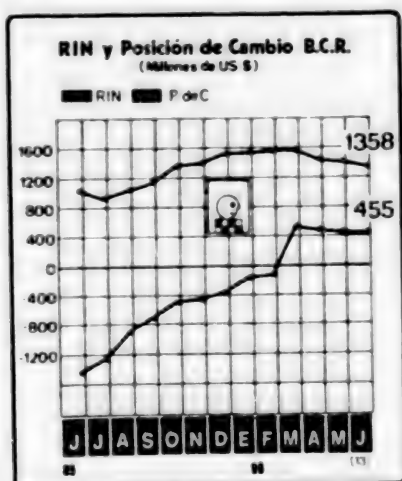
Regular Fiscal Expenditures (Millions of Constant Intis, Base Dec 82)



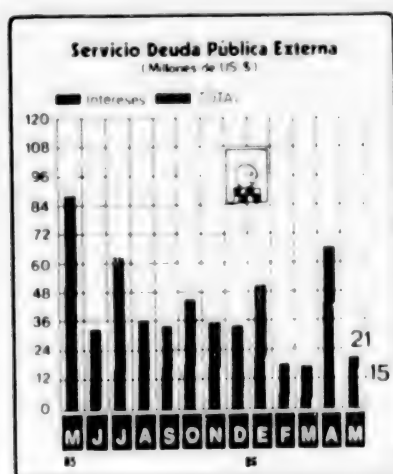
partial. In fact, May witnessed increases in income from the domestic IGV and customs IGV, as well as selective consumer taxes. However, despite the satisfactory trend of fiscal collections in the past 2 months and due to February tax incentives, the value of revenue accumulated so far this year is 10 percent less in real terms than what was collected during the same period of 1985.

In addition, according to Ministry of Economy and Finance estimates, the pre-foreign debt cash deficit of the Central Government for the month of May reflects a favorable balance of \$7 million, far lower than that of the previous month (\$183 million), due to the reduction in revenue, which in April, as already mentioned, was very high as a result of tax payments.

RIN [Net International Reserves] and BCR Exchange Position [P de C] (Millions of \$)



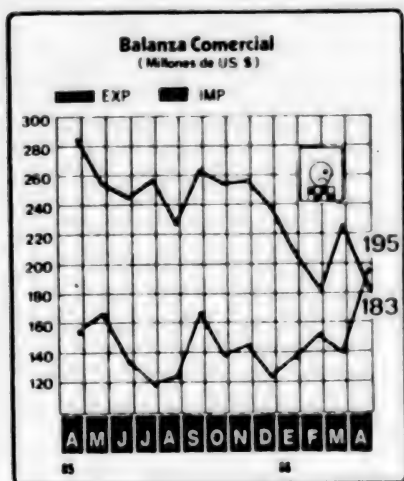
Service on Foreign Public Debt (Millions of \$)



Foreign Sector

In June, the net international reserves (RIN) of the BCR continued the downward trend observed since April when, for the first time in a long time, the value of imports exceeded that of exports. The value of foreign sales of oil and most of the mining exports -- with the exception of copper -- fell, while nearly all other import categories rose the last quarter. As a result, the trade balance was negative (\$12 million) during the month of April. On 13 June, the level of the RIN reached \$1,358,000,000, the lowest point since October, and \$183 million less than the March level, which in turn was the highest since 1980. This drop, reflected in the lower net foreign exchange balance (exchange trade balance) which the BCR received may have been accentuated because exporters are reportedly to have been holding back part of

Trade Balance (Millions of \$)



foreign exchange waiting to be granted greater foreign exchange availability on the financial market, while importers accelerated their payments in order to avoid the higher cost of transferring tariff items to that market. As a result, the trade balance during the 4 weeks preceding 13 June was negative.

The reduction in the BCR's RIN would have been greater if Peru made the normal payment of service on its foreign public debt. In May, the latter scarcely amounted to \$21 million, most corresponding to interest (\$15 million).

11,464

CSO: 3348/724

PERU

OVERVIEW OF NATIONAL ECONOMY IN 1986

Lima PERU ECONOMICO in Spanish No 7, Jul 86 pp 2, 5-6, 11-12, 15-16

[Text] How much will the Peruvian economy grow in 1986?

At the end of last year, the National Institute of Planning (INP) estimated, in its optimistic projection, a growth in the GNP of 7 percent for 1986. For its part, the Central Reserve Bank (BCR) anticipated a less favorable scenario and annual growth of 3 percent.

If the deseasonalized GNP for the first quarter of 1986 remained constant for the rest of the year, growth would be 2.1 percent for the entire year. However, as one can conclude from April and May results, recovery is anticipated in nearly all sectors in the months ahead. Taking these results into account, growth in the GNP will probably be on the order of 4 percent, similar to the current estimate of the INP in its "intermediate" scenario. This is based on the following premises: a moderate reduction in inflationary expectations; limited confidence of entrepreneurs in incentives to increase production; relative acceptance of policies on wages, job stability and so on; a partial response to policies aimed at changing consumer habits, transferring savings to national currency, avoiding hoarding, and so on; a relative reduction in the preference for speculative financial assets and a greater orientation of those assets toward productive investments; a status quo in social violence; a normalization of climatic conditions; continued negotiations with the international financial system without any suspension of the net flow of disbursements; the startup of foreign investment projects already agreed upon; maintenance of current international prices for exports, as well as of the level of penetration of foreign markets; and a moderate increase in prices for the main imports.

In this context, growth of the economy in 1986 would be supported by the increase in remunerations as well as in public spending. The other reviving element on which the government bases its optimistic projections is government investments. It proposes a level of investment of over 8 percent of the GNP, higher than the 1985 level and significantly greater than that registered so far this year. This would imply a substantial reversal of the trend recorded so far and, considering the limited foreign disbursements due to the lack of any appropriate concerted action with the international financial system, considerable domestic financing, basically from the banking system.

Table 1. Gross National Product by Sector (Millions of 1970 Intis)

	GNP			Growth (Percent)	
	1984	1985	1986*	1985-1984	1986-1985
Total GNP	318.2	323.6	338.8	1.7	4.7
Production of Goods	165.3	169.1	177.6	2.3	5.1
Agricultural-Livestock	45.5	46.6	48.0	2.6	3.0
Fishing	3.8	3.6	3.7	-6.5	2.8
Mining	32.3	34.0	34.7	5.3	1.8
Manufacturing	68.3	71.1	76.2	4.0	7.2
Construction	15.4	13.8	15.0	-9.9	9.0
Production of Services	152.9	154.5	161.2	1.1	4.3

* Corresponds to official projections for an "intermediate" scenario between "negative" and "favorable" used by the INP.

Source: INP

Why are exports dropping?

World trade has lost its vitality over this decade. Imports, which rose in value during the 1970's at an annual rate 10 percent higher than that of inflation in the United States, have declined so far this decade, mainly due to the noteworthy variations in oil prices and a goodly number of raw materials, whose prices rose during the 1970's and fell during the 1980's. Even volume indicators show a drop in the vigor of international trade. In the past 5 years, the volume of imports worldwide increased at an annual rate that is less than half that observed in the 1970's.

For this trend is not homogeneous. Imports in dollars to the United States, for example, basically due to the increased worth of the dollar, which factor has more than offset protectionist tendencies, rose over the past 5 years at a rate of 7 percent annually and volumes increased at a greater rate than over the previous decade. In this context, some underdeveloped countries have been able to increase their exports in a special way. One should single out the Asian countries and, in Latin America, Brazil and Ecuador.

There is the well-known argument of those who maintain that the success of the Asian experience has to do with the lack of public intervention and the resulting greater role of market forces. However, empirical evidence does not support this version of things. Government intervention in the Asian countries does not seem to have been less than that observed in Latin America. In both groups of countries, for example, government enterprises have played a significant role. Likewise, in Asian countries, there have been harsh restrictions on imports -- especially ntariff mechanisms such as licenses and limitations on access to the foreign exchange market -- and consequently, the trade policy has promoted the replacement of imports. However, unlike the Latin American pattern, this policy has been applied in a much more selective manner and on a sectorial level, as well as with treatment less harmful to the agricultural sector. Furthermore, continuity in the rules of play -- made easier, it is true, by the prevalence of authoritarian governments -- is notorious, which

has permitted substantial accrual of capital. In addition, the efficiency of the services sector, both private and public, is substantially different from that which prevails in some Latin American countries, as a result of which transport and marketing costs are significantly reduced.

Table 2. Overall Supply and Demand (Millions of 1970 Intis)

		Variación Porcentual				
		1984	1985	1986*	1985/84	1986/85
A	OFERTA GLOBAL 2)	350.9	350.3	368.0	-0.2	5.1
	PB: 3)	318.2	323.6	338.8	1.7	4.7
	Importaciones 4)	32.7	26.7	29.2	-18.4	9.6
B	DEMANDA GLOBAL 5)	350.9	350.3	368.0	-0.2	5.1
	Demanda Interna 6)	298.5	297.3	314.5	-0.4	5.8
	1 Consumo 7)	256.6	259.2	273.6	1.0	5.6
	a Público 8)	35.3	36.5	38.3	3.3	4.9
	b Privado 9)	221.3	222.7	235.3	0.6	5.7
10)	2 Inversión Bruta Interna	41.9	38.1	40.9	-8.9	7.3
11)	a Fija	38.1	35.2	38.2	-7.5	8.6
	12) Pública	22.9	20.8	23.0	-8.9	10.6
	13) No Pública	15.2	14.4	15.2	-5.5	5.9
	14) b Variación de Stocks	3.8	2.9	2.7		
15)	Demanda Externa	52.4	53.0	53.5	1.3	0.9

* Corresponds to official projections for an "intermediate" scenario between the "negative" and the "favorable" used by the INP.

Source: INP

Key:

- | | |
|-------------------------|-------------------------------|
| 1. Percentage variation | 9. Private |
| 2. Overall Supply | 10. Gross Domestic Investment |
| 3. GNP | 11. Fixed |
| 4. Imports | 12. Public |
| 5. Overall Demand | 13. Nonpublic |
| 6. Domestic demand | 14. Variation in stock |
| 7. Consumption | 15. Foreign Demand |
| 8. Public | |

However, the most relevant factor for the achievement of such vigorous development in the Asian countries has been the enforcement of a consistent exchange policy. The argument does not refer to the price of foreign exchange at any given moment, but rather, to the handling of this variable, as well as other related variables -- concerning tariffs and import restrictions -- in long-range terms. Unlike the Asian experience, where, along with a process of import replacement, exports have been promoted, the Latin American and especially Peruvian processes have had a substantial antiexport slant. A high

Table 3. Gross Value of Farm Production: 1985-1986 (Thousands of Metric Tons and 1970 Intis)

	1985	1) Proyección 1986		Variación Estimada	
3)	Volumen	4) Valor	Volumen	Valor	86/85
Arroz (Cascaral) 5)	973.0	4,783.3	739.2	3,639.9	-24.0
Maíz Amiláceo 6)	212.1	713.1	225.2	757.1	6.2
Frijol 7)	46.6	373.2	56.4	451.7	21.0
Papa 8)	1,589.7	3,583.2	1,650.1	3,719.3	3.8
Trigo 9)	90.4	369.7	97.5	398.8	7.9
Algodón Rama 10)	290.4	3,064.9	300.0	3,166.2	3.3
Caña de Azúcar 11)	7,329.3	1,465.9	6,755.1	1,351.0	-7.8
Soya 12)	2.1	15.6	3.0	22.3	42.9
Sorgo 13)	24.5	80.0	62.1	202.9	153.5
Maíz Amarillo 14)	485.1	1,551.8	601.8	1,925.2	24.1
Café 15)	92.9	1,701.4	93.0	1,703.2	0.1
Agrícola Programado 16)		17,702.1		17,331.6	-2.1
Agrícola no Programado 17)		10,070.0		10,443.0	3.7
Total Agrícola 18)		27,772.1		27,774.6	0.0
Carne de ave 19)	201.0	6,110.4	229.0	6,961.6	13.9
Carne de ovino 20)	1.2	373.2	19.0	412.3	10.5
Carne de porcino 21)	53.5	1,257.3	60.0	1,410.0	12.1
Carne de vacuno 22)	100.7	2,527.6	94.0	2,359.4	-6.7
Huevos 23)	77.9	1,893.0	91.8	2,230.7	17.8
Leche 24)	808.8	3,316.1	835.0	3,423.5	3.2
Pecuario Programado 25)		15,477.5		16,797.5	8.5
Pecuario no Programado 26)		2,065.0		2,102.2	1.8
Total Pecuario 27)		17,542.5		18,899.7	7.7
Agropecuaria Programado 28)		33,179.6		34,129.2	2.9
Agropecuaria no Programado 29)		12,135.0		12,545.2	3.4
Total Agropecuario 30)		45,314.6		46,674.4	3.0

Source: Ministry of Agriculture, ENCI [National Enterprise for Industrial Marketing], ECASA

Key:

- | | |
|------------------------|--|
| 1. Projection | 16. Programmed agricultural production |
| 2. Estimated variation | 17. Unprogrammed agricultural production |
| 3. Volume | 18. Total Agriculture |
| 4. Value | 19. Poultry meat |
| 5. Rice (unhulled) | 20. Mutton |
| 6. Starchy corn | 21. Pork |
| 7. Beans | 22. Beef |
| 8. Potatoes | 23. Eggs |
| 9. Wheat | 24. Milk |
| 10. Raw cotton | 25. Programmed livestock production |
| 11. Sugar cane | 26. Unprogrammed livestock production |
| 12. Soybeans | 27. Total Livestock |
| 13. Sorghum | 28. Programmed Combined Farm Production |
| 14. Yellow corn | 29. Unprogrammed Combined Production |
| 15. Coffee | 30. Total Combined |

price for currency helps exports by making them more profitable, but by making imports more expensive, this encourages sectors that are replacing them, adversely affecting sectors less related to foreign trade. In Latin America, as is currently the case in Peru, the exchange rate is set -- or its variation controlled -- as an anti-inflationary mechanism, while domestic demand increases at the same time. Within such a context, the increase in consumption and relative variations in prices adversely affect the balance of payments. As one limitation on a possible decrease in international reserves, the situation tends to be resolved by an increase in licenses and bans on imports, as well as by the creation or diversification of multiple rates of exchange, but with most exports following the lower rate. This situation improves the profitability of the industry replacing imports, but it has a clearly antiexport bent. When the pressure can no longer be tolerated, there is a devaluation and, as a result, imports drop. But due to the abrupt and unstable nature of such adjustments, exports do not find a climate in which they can prosper.

Table 4. Gross Value of Mining Production: 1985-1986 (Thousands of Units and 1970 Intis)

	1985	1) Proyeccion 1986	2) Variacion %	
3) Volumen	4) Valor	Volumen	Valor	86 85
5)				
6)				
7)				
8)				
9)				
10)				
11)				
12)				

Key:

- | | |
|---------------|-------------------------------|
| 1. Projection | 7. Silver |
| 2. Variation | 8. Iron |
| 3. Volume | 9. Oil |
| 4. Value | 10. Gross Value of Production |
| 5. Copper | 11. Source: INP |
| 6. Lead | |

At the present time, Peru has been able to resolve its growing trade balance by limiting payment on the service on its foreign debt, but this is only a temporary solution that postpones basic problems. Even if one would continue with a 0 financial transfer -- paying as service on the debt an amount similar to the new outlays received -- achieving self-sustained growth of economic activity would imply substantial increases in imports, which inevitably requires proportional increases in exports.

Special Case of Nontraditional Exports

Nontraditional exports, for example, totaled \$719 million in 1985, a sum slightly lower than that for 1984 and over \$120 million under the 1980 figure.

However, one must remember that nontraditional exports to the USSR and other socialist countries resulting from agreements made for payment of the foreign debt in kind were limited in 1984: \$14 million, and rose to \$121 million in 1985. In other words, if one deducts this component, nontraditional exports scarcely amounted to \$598 million in 1985, representing a drop of \$114 million compared with 1984.

The United States continues to be the main market for nontraditional Peruvian exports. In 1985, the value exported to that market was \$222.6 million, an increase of some 8 percent compared with the previous year. It should also be borne in mind that in the past 5 years, exports to the United States rose an average of 8.1 percent a year, a rate somewhat higher than the value of that country's total imports. In that sense, Peru has not lost any relative participation in that market, although the composition of its list of products has changed.

In addition, exports to neighboring countries, which already in the early 1980's showed a drastic reduction, continued to drop in 1985, thus confirming the crisis afflicting the Cartagena Accord.

During the first quarter of 1986, the export value of nontraditional products amounted to only \$155 million, representing a drop of 12 percent compared with the same period of the previous year. If that level should be maintained during the other quarters of the year, nontraditional exports would only amount to \$620 million in 1986. The freezing of the exchange rate, the lack of definition concerning other palliative measures and the increase in domestic demand are factors which, rather than reversing that reduction, might accentuate it during the remainder of the year.

In this sense, the government's official estimates are too optimistic, inasmuch as they foresee nontraditional exports totaling \$900 million, within a projection of \$2,777,000,000 for total goods exports.

Strict Exchange Control?

Despite these estimates, official projections for the 1986 balance of the regular account -- a surplus of \$34 million, according to the heterodox method used by the government, which does not consider the unpaid interest on the foreign debt or the financial cost of such unpaid amounts -- yield, using the conventional method, a deficit of 4 percent of the GNP. In 1985, there was practically no deficit of this nature.

The INP now estimates that the capital account will yield a negative balance for the rest of the year. Based on this, some of its officials argue the unpostponable need for strict currency control, for imports, remittances and payment of the debt. The BCR is more cautious in this sense and even projects

a smaller imbalance. Whatever the case, recent weeks have witnessed curious moves and countermoves in procedures relating to the granting of new outlays from international organizations, which might cause the latter to be smaller than expected. Furthermore, if one continues to grant greater participation in the financial market to exporters, without a proportional transfer of imports that that market, then there does exist the risk of a growing drain of foreign exchange.

Table 5. Index of Physical Volume of Industrial Production: 1985-1986
(1973 = 100.0)

	1985	Proyección 1) 1986	Variación 2) %
Faenril Total 3)	106.7	114.4	7.2
30 Harina de pescado 4)	149.4	175.5	17.5
31 Alimentos, bebidas y tabaco 5)	102.2	111.1	8.7
32 Textiles 6)	88.1	97.5	10.7
35 Química 7)	143.0	154.3	7.9
36 Minerales no metálicos 8)	89.9	97.1	8.0
37 Metálicos básicos 9)	194.5	197.4	1.5
38 Metal y maquinarias 10)	74.8	80.2	7.2

Fuente: INP. 11)

Key:

- | | |
|-----------------------------|-------------------------|
| 1. Projection | 7. Chemicals |
| 2. Variation | 8. Nonmetallic minerals |
| 3. Total Manufacturing | 9. Basic metallics |
| 4. Fish flour | 10. Metal and machinery |
| 5. Food, beverages, tobacco | 11. Source: INP |
| 6. Textiles | |

Will inflation be maintained at its current level?

The government projects a price increase of 65 percent for this year. Given the rates of inflation observed during the first 6 months, these estimates imply an average monthly rate of inflation of 3.6 percent during the second half of the year. This estimate does not seem to include the effect, for example, of increases in the costs of agricultural materials or of international inflation resulting from the higher cost of European currencies and the yen compared with the dollar. In addition, wage increases, not only those ordered by the government, but also those granted by collective bargaining, are now exceeding the inflation goal projected by the government and without any counterpart in greater productivity.

However, within the economic team, there does not seem to be any agreement on the rate of inflation that would be achieved if one suspended the current freeze system and this might partially explain disagreements over the degree and timeliness of its replacement by a price administration system. The inflation estimates used do not seem to contemplate readjustments or minimize their effects. Analogously, in assuming such an optimistic rate of inflation,

one assumes that the export sector will not be affected by the freezing of the rate of exchange to the extent that the sector rightly fears. In addition, the government has announced that exports will have the right to an increased availability of foreign exchange on the financial market, but the anticipated rates of inflation do not incorporate the cost implied by the transfer of more imports to the financial market, which in the long run would have to take place.

Government Accounts

As a result of reductions in taxes ordered in February, the Central Government's revenue will definitely be less -- expressed as a percentage of the GNP -- than the figure determined in the budget for this year, as well as that registered last year.

Regular operating expenditures -- meaning those excluding domestic and foreign interest -- will be significantly greater than those considered by the government in its estimates and also greater than the budgeted figure for 1986 and recorded in 1985. This is basically due to the most recent increases in pay of civil servants.

Given the freeze in the price of gasoline and rates -- including their reduction in some cases -- and the drop in metal prices affecting state mining concerns, it will not be possible to obtain savings in the regular account of the public sector, as the optimistic official projections would lead one to believe.

Estimates projected by the government for the deficit in the public sector, without including unpaid interest on the foreign debt or the financial costs incurred by such delays, amount to something on the order of 6.5 percent of the GNP. If one uses the conventional definition of economic deficit, which includes the previously mentioned concepts, then the deficit is something over 10 percent of the GNP. This imbalance would be reflected in substantial domestic financing requirements, on the order of 3 to 4 percent of the GNP, basically from the banking system. Furthermore, if, as proposed, investments of national companies should exceed 4 percent of the GNP and the total investments of the public sector 8 percent of the GNP, then the deficit of the public sector -- using the conventional definition for this concept -- would exceed 11 percent of the GNP and the domestic financial requirement, after deducting foreign financing obtainable, might be about 6 percent of the GNP. One must not forget that estimates of the balance of payments project a debt payment in kind worth \$165 million, which is not recorded in fiscal estimates. One must also remember that in 1985, there was no domestic resource requirement and in 1984, that amount was less than 2 percent of the GNP.

Risks of New Inflationary Spiral

The government has repeatedly maintained that the goal of its monetary policy is to support the recovery of production, even at the cost of a substantial loss in net international reserves and, presumably, a new inflationary spiral.

Table 6. Balance of Payments (Millions of U.S. \$)

	1985	1986*
I. Balanza en Cuenta Corriente¹ 1)	687.6	34.0
A. Balanza Comercial 2)	1,097.5	510.0
1. Exportaciones FOB 3)	2,966.5	2,777.0
2. Importación FOB 4)	1,869.0	-2,267.0
B. Servicios Financieros 5)	-389.0	-355.0
3. Sector Público 6)	-86.0	-74.0
3.1 Intereses Ganados 7)	118.0	125.0
3.2 Intereses Deuda Pública de 8)		
Mediano y Largo Plazo	-117.0	-121.0
3.3 BCRP 9)	-87.0	-78.0
4. Sector Privado 10)	-303.0	-281.0
C. Servicios No Financieros 11)	-147.6	-266.0
D. Pagos de Transferencia 12)	126.7	145.0
II. Capitales a Largo Plazo 13)	-20.0	-151.0
E. Sector Público 6)	158.0	99.0
5. Desembolsos (créditos nuevos) 14)	658.0	550.0
5.1 Proyectos de Inversión 15)	408.0	380.0
5.2 Importación de Alimentos 16)	65.0	80.0
5.3 Defensa Nacional 17)	185.0	90.0
6. Amortización 18)	500.0	-451.0
6.1 Atendida con divisas ² 19)	-337.0	-286.0
6.2 Atendida en especies 20)	-163.0	-165.0
F. Sector Privado 10)	-178.0	-250.0
7. Inversión Directa Extranjera 21)	-54.0	-150.0
8. Préstamos Privados 22)	-124.0	-100.0
III. Balanza Neta Básica (I+II) 23)	667.6	-117.0
G. Asignación DEG 24)	—	—
H. Capital a Corto Plazo (Inc. E. y O.) 25)	-361.0	-268.0
IV. Saldo de la Balanza de Pagos (III+G+H) 26)	306.6	-385.0

* Corresponds to official projections for an "intermediate" scenario between the "negative" and "positive" used by the INP.

1 Does not include unpaid interest on the foreign debt or the financial cost of such unpaid sums.

2 This figure considers 10 percent of the value of goods and service exports for service on the foreign public debt (medium- and long-term). However, in addition, it includes the amortization corresponding to loans for the incorporation of food, not subject to the limit of 10 percent.

Key:

- | | |
|-------------------------------|---|
| 1. Balance in Current Account | 8. Interest, Medium-, Long-Term Public Debt |
| 2. Trade Balance | 9. BCRP [Central Reserve Bank of Peru] |
| 3. Exports FOB | 10. Private Sector |
| 4. Imports FOB | 11. Nonfinancial Services |
| 5. Financial Services | 12. Transfer Payments |
| 6. Public Sector | 13. Long-Term Capital |
| 7. Interest Earned | |

(Key, cont.)

- | | |
|--------------------------------------|--|
| 14. Cash Disbursements (New Credits) | 21. Direct Foreign Investment |
| 15. Investment Projects | 22. Private Loans |
| 16. Food Imports | 23. Basic Net Balance (I + II) |
| 17. National Defense | 24. SDR Allowance |
| 18. Amortization | 25. Short-Term Capital (Incl. E and O) |
| 19. Paid in currency | 26. Balance of Payments (III + G + H) |
| 20. Paid in kind | |

The government thus proposes significant growth -- with a rate of over 120 percent -- in the total credit of the banking system. To a great extent, this increase is required to finance the deficit of the public sector, which, as previously noted, might be underestimated if the level of investments is increased. Progress in actual investments still remains under that planned, however, which provides a margin for future adjustment.

In the monetary program set forth, there would be an increase in credit to the private sector at a somewhat lower rate than that of official inflation prospects: 65 percent. But if inflation is worse, as everything would lead one to assume, the increase in resources needed by the treasury would affect in real terms credits to be granted to the private sector, even if the increase in emission is accompanied by a considerable reduction in international reserves. Under such conditions, it is illusory to presume that liquidity would increase at a similar or slightly higher rate than the projected rate of inflation, considering the reduced interest rates existing in the financial system. INP sources say that "the monetary program assumes that the demand for real wages will increase over previous periods. This would lead to an increase in quasi-money -- savings and term deposits -- although real yields of this type of assets would be negative on an average of nearly 20 percent. The quasi-money projection is supported by the fact that, despite the negative yields, holding the money would be more costly than depositing it, which situation would force economic agents to opt for this type of savings." While it could be that, in the face of a sudden increase in the monetary supply, individuals would be forced for a short time to keep their money in deposits, in time they would try to get rid of such an unattractive asset and obtain, among other things, dollars. Consequently, the argument used by the government may be valid, but only for a relatively short period of time. The repercussions of maintaining a policy of low interest rates would be notorious in the following months when, as real liquidity declines due to the increase in inflation, and since it is impossible to reduce international reserves ad infinitum, the capacity of granting credit to the private sector would be strangled.

Summary of Strategy

In macroeconomic terms, the central element of the economic strategy consists of generating an expansion of demand through wage increases and moderate fiscal deficits, which would be met by a comparable expansion in supply without causing excessive pressures on demand and costs. The existence of a high idle industrial capacity has made it possible, for a time, for the increase in

demand and the lower financial costs to maintain margins of earning despite the freeze in prices.

Table 7. Operations of the Central Government (Official Projections)
(Millions of Intis)

	1985		1986	
	1) Monto	2) % PBI	Monto	% PBI
Ingresos Corrientes 3)	27,644	17.6	36,427	17.3
Gastos Corrientes 4)	27,351	17.4	38,161	14.3
Ahorro en Cuenta Corriente 5)	293	0.2	-1,734	-0.6
Ingresos de Capital 6)	122	0.0	0	0.0
Gastos de Capital 7)	5,369	3.4	9,254	3.5
Superávit ó Déficit Económico 8)	-4,954	-3.2	-10,988	-4.1
Financiamiento 9)	4,954	3.2	10,988	4.1
a. Financiamiento Externo 10)	4,514	2.9	2,769	1.0
Desembolsos 11)	13,128	8.4	4,289	1.6
Amortización 12)	8,614	5.5	1,520	0.6
b. Financiamiento Interno 13)	440	0.3	8,219	3.0

Source: MEF [Ministry of Economy and Finance], DGPP

Put together by: INP

Key:

- | | |
|-------------------------------|--------------------------------|
| 1. Amount | 8. Economic surplus or deficit |
| 2. % GNP | 9. Financing |
| 3. Regular income | 10. Foreign financing |
| 4. Regular expenditures | 11. Disbursements |
| 5. Savings in current account | 12. Amortization |
| 6. Capital income | 13. Domestic financing |
| 7. Capital expenditures | |

However, this system has become worn out and must be made more flexible in the coming weeks in order to prevent it from turning into a mechanism that stifles specific economic activities that do not balance their costs with the arbitrary modification made in relative prices. The administration of prices, the phase following the freeze, forces one to have a followup and regulatory capacity for which the public administration is not sufficiently prepared. The threat of corruption inevitably arises.

One area of debate among government economic officials has to do with the handling of the monetary program which the "revivalists" would like to see as expansive as possible.

In their opinion, the growth in production should not find restrictions in the insufficient liquidity of the credit market and the BCR should modify even more the norm relative to the cash position and its remuneration in order to

Table 8. Operations of the Public Sector, Official Projections (Millions of Intis)

	1) Monto	2) % PBI
1. Ingresos Corrientes 3)	137,218	51.5
2. Gastos Corrientes 4)	129,960	48.8
3. Ahorro en Cuenta Corriente 5)	7,258	2.7
4. Gastos de Capital 6)	24,504	9.2
5. Déficit Económico 7)	-17,246	-6.5
6. Financiamiento 8)	17,246	6.5
A. Externo 9)	8,518	3.2
— Gobierno Central 10)	2,769	1.0
— Empresas Públicas 11)	5,749	2.2
B. Interno 12)	8,728	3.3
— Gobierno Central	8,219	3.1
— Empresas Públicas	509	0.2

Put together by: INP

Key:

1. Amount	7. Economic deficit
2. % GNP	8. Financing
3. Regular income	9. Foreign
4. Regular expenses	10. Central Government
5. Savings in current account	11. Public Enterprises
6. Capital expenditures	12. Domestic

Table 9. Official Projection of the Monetary Program, Banking System (In Millions of Intis)

	1) Dic. 85	Dic. 86	2) Flujo	% Nominal
I RR.II.NN	19,666	14,292	5,374	- 27.3
(Millones de dólares) 3)	(1,410)	(1,025)	(-385)	(-27.3)
II ENX LP*	- 3,418	- 4,439	- 1,021	29.9
(Millones de dólares)	(-318)	(-318)		
III Crédito Neto Interno 4)	24,608	54,530	29,922	121.6
1 Sector Público 5)	-7,324	1,404	8,728	119.2
2 Sector Privado 6)	28,447	46,141	17,694	62.2
3 Otras Cuentas 7)	3,485	6,985	3,500	100.4
IV Liquidez Total 8)	40,856	64,388	23,538	57.6
A Moneda Nacional 9)	27,582	58,005	30,509	110.6
1 Dinero 10)	16,545	30,513	13,867	84.4
2 Cuasidinero 11)	11,037	27,578	16,543	149.9
B Moneda Extranjera 12)	13,270	6,302	-6,972	-52.5
(Millones de dólares)	(952)	(452)	(-500)	(-52.5)

* Net Foreign Debt: Debt of over 1 year to BID [Inter-American Development Bank], AID [Agency for International Development], BIR.

Put together by: INP

[Key on following page]

(Key, Table 9)

- | | |
|------------------------|----------------------|
| 1. December | 7. Other accounts |
| 2. Flow | 8. Total liquidity |
| 3. Millions of dollars | 9. National currency |
| 4. Net domestic credit | 10. Money |
| 5. Public sector | 11. Quasi-money |
| 6. Private sector | 12. Foreign money |

free cheap resources that would go into productive sectors. The risks of such a policy are obvious.

In medium-range terms, through mechanisms still to be set up, the government intends to modify the priorities of the productive structure so as to orient it, first of all, toward supplying the domestic market, giving priority to meeting the basic needs of the population, especially with regard to food. Agroindustry and the metal-machinery sectors would thus become the main axes of the industrial specialization, although it is accepted that the effective protection of the domestic market must be carefully handled and with very selective, timely criteria. The degree of government interventionism would increase, not always to the good.

11,464

CSO: 3348/724

PERU

JAVIER TANTALEAN COMMENTS ON 1986 PUBLIC INVESTMENTS

Lima EL NACIONAL in Spanish 7 Jul 86 p 7

[Text] Yesterday, the head of the National Institute of Planning [INP], Javier Tantalean Arbulu, remarked that, this year, national public investment will amount to \$1.5 billion (about 155 billion soles), explaining that 83 percent of that sum would be invested outside the Lima-Callao axis; in other words, it will cover a major proportion of the national territory.

He claimed that, unlike what has happened in the past, the state has, for the first time, a projects bank for all public investment in each department, with a list of the projects to be carried out by the ministries, decentralized institutions, and departmental development agencies, and also public enterprises.

Tantalean Arbulu, one of the government figures closest to President Alan Garcia, recalled that the most important, priority sector for state action is agriculture, which takes about 20 percent of the total investment, as does the energy and mines area, which benefits from the same percentage.

Specifying further still the destination of public investment, the INP head said that the transportation and communication sector ranks third in the percentage of investment, with 14 percent of the total amount; and that the share of the health area has increased remarkably over the amounts allocated to it in the past.

On the other hand, after noting that they have devised 491 projects and have the list of those to be executed between 1987 and 1990, Tantalean Arbulu remarked that the Andean Trapezoid has become the priority area for public investment; giving a reminder that the departments located in that area receive approximately 12 percent, and the intention is to raise that percentage to 22 during the next 5 years.

He also said that another priority geographical space for the government consists of the microregions, not necessarily those situated in the Andean Trapezoid, but rather those in the departments of Piura, Cajamarca, Amazonas, San Martin, La Libertad, Lima, etc. The INP head also observed that they consider it important to continue carrying out the projects in the jungle, such as Alto Mayo, Huallaga Central, etc.; "in other words, to continue with the policy of

colonization and displacement of basically Andean populations to the jungle, and to start moving rice crops as well, from the coast to the jungle's edge."

Financial Aid From Abroad

Moreover, Tantalean Arbulu listed a group of projects that have been given backing by financial agencies abroad, including the agricultural development program and the one to battle the drug traffic; which have made it possible for an average of \$92 million to enter the country over a 5-year period, provided by United Nations agencies with headquarters in Geneva.

He said that, in the latter European capital, he had also procured assistance from the World Food Program, amounting to about \$30 million, which will be used for research on food products, as well as research and development projects involving nuclear energy, essentially in the field of medicine.

On the other hand, he noted that, in Paris, he had succeeded in "unblocking" a line of credit for Charcani V and for the Machu Picchu hydroelectric project in Cusco, totaling \$70 million, from the French Government; also procuring an extremely important technical cooperation program.

Tantalean Arbulu commented that, in the French capital, he had concluded an agreement with the famous National School of Administration of Paris, to reorganize the Advanced School for Public Administration (ESAP) and to train the leadership cadres that the entities require.

He also commented that this French school, at which prominent representatives from that country's political and financial areas, including Giscard D'Estaing, the current prime minister, have studied, will provide its experience to enable the Peruvian Government to continue the project of the Institute of International Relations promoted by Foreign Minister Allan Wagner Tizon, which will offer training for instructors in diplomacy.

He said that in Rome where, a few months ago, he managed to conclude an agreement for the provision of \$108 million, he had cited the need for raising that sum by \$42 million, to be used to implement the Cachi irrigation project in Ayacucho, and to support the activities of the Institute for Development of the Informal Urban Sector, which has been given \$10 million to continue the so-called "chicha" loans for radio stations located in Ayacucho, Chimbote, Arequipa, Trujillo, Piura, Huancayo, and Puno.

2909

CSO: 3348/731

PERU

ARTICLE DISCUSSES MARITIME BORDER WITH CHILE

Lima EL COMERCIO in Spanish 3 Jul 86 p A-2

[Text] On 18 June 1986, there appeared a report from Santiago, Chile, in which the Peruvian foreign minister declared that an effort would be made to achieve a maritime demarcation with the southern country; a problem that the Chilean daily paper, EL MERCURIO, described as minimal.

In this regard, and backed by some minor geopolitical sources, I take the liberty of expressing the following views:

a. Minister Allan Wagner is acting well by seeking a fraternal solution in the defense of our maritime sovereignty and its resources.

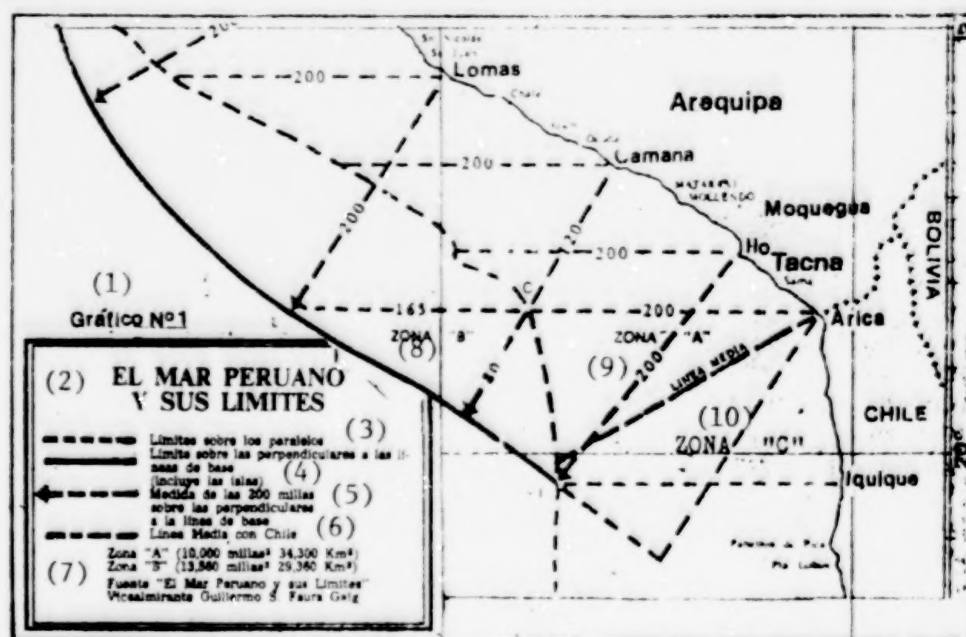
b. The problem is not "minimal," as the southern newspaper suggests. It involves the consolidation of 63,660 square kilometers of maritime space and air space covering it under our sovereignty.

The apparent difficulty appears because the line of our coasts with those of Chile forms an angle; so that, when our maritime and air control of the 200 marine miles near the border is identified, taking, as is logical, the perpendicular to the base coastline (Figures 1 and 2), the latter would lie off the coasts of Chile. In this case, zones B, A, and C may be distinguished from one another.

Zone B (29,360 square kilometers) is completely Peruvian, because it lies beyond the 200 miles from the Chilean coast. Zone A (34,300 square kilometers) is half of the overlap rectangle with Chile's jurisdictional waters in the 200 miles; a half identified with the "median line" in Figure No 1. Therefore, A is Peruvian and C, Chilean. The problem is simplified because Chile, a signer of the Convention of the Sea, only claims 12 miles as territorial waters.

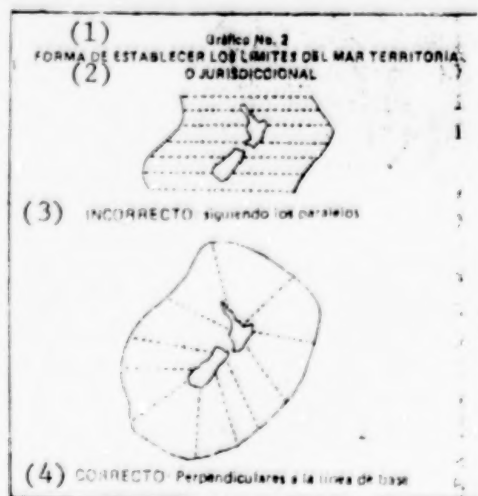
It is not unseemly to indicate to them that the fishing carried out by Chile in zone A during 1984 ranked it among the leading countries producing fish meal.

Figure No 1 was prepared by Vice Admiral Guillermo Faura.



Key to Figure 1:

1. Figure No 1
2. The Peruvian Sea and Its Boundaries
3. Boundaries on the parallels
4. Boundary on the perpendiculars to the base lines
5. Measurement of the 200 miles on the perpendiculars to the base line
6. Median line with Chile
7. Zone A (10,000 square miles, 34,300 square kilometers), Zone B (13,560 square miles, 29,360 square kilometers), Vice Admiral Guillermo S. Faura Gaig
8. Zone B
9. Zone A
10. Zone C



Key to Figure 2:

1. Figure No 2
2. Method for setting the boundaries of the territorial or jurisdictional waters
3. Incorrect: following the parallels
4. Correct: perpendiculars to the base lines

2909

CSO: 3348/731

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